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A COMPARISON OF THE RETIREMENT SYSTEM OF THE ARMED FORCES  
WITH THOSE IN BUSINESS AND INDUSTRY

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A Thesis

Presented in Partial Fulfillment of the Requirements  
for the Degree Master of Science

---

By

PHILIP FREDERICK HAUCK, B. Sc.

---

The Ohio State University

1950



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## CHAPTER I

### THE PROBLEM AND HISTORY

#### THE PROBLEM

##### Statement of the problem.

It is the purpose of this study to compare the retirement system of the armed forces with those in business and industry in order to: (1) identify the purposes, salient characteristics, and benefits in each; (2) identify the trends in civilian systems; (3) appraise the retirement systems of the armed forces, giving consideration to the interests of the personnel, of the government and of the public; and (4) propose improvements to the retirement system of the military establishment.

##### Limits of the problem.

First, as in any study involving a consideration of data that are spread through an extensive field, a major problem is the securing of a representative sample of these data. With the armed forces, no serious difficulty is involved because of the limited number of organizations to be considered, and because of the close similarity of provisions for retirement among the three services. However, in the field of business and industry, it has recently been estimated that there are over nine thousand retirement plans.<sup>1</sup> In addition, there are a large number of employee benefit plans, usually insurance plans, covering disability and death benefits. Next, there are differences between the two organization categories that do not lend themselves to comparison on

It is the purpose of this study to determine the relationship between the two variables. The first variable is the number of hours per week spent on the job. The second variable is the number of hours per week spent on the job. The relationship between the two variables is expected to be positive. The study will be conducted using a survey of 100 employees. The data will be analyzed using a correlation coefficient. The results of the study will be presented in a report.

...and the result is...

There is a very marked difference in the character of the two types of movement. The first is a slow, steady, and continuous movement, while the second is a rapid, jerky, and intermittent movement. The first is a result of the slow, steady, and continuous movement of the body, while the second is a result of the rapid, jerky, and intermittent movement of the body.



any basis approaching quantification. These include principally (1) the conditions of service (for example, what consideration should be given to the "migratory existence" and the hours of service of members of the armed forces?),<sup>2</sup> (2) the tenure of position (how does the instability of employment of the businessman and the industrial worker due to business cycles compare with that of service personnel caused by forced attrition in the promotion system and to cut-backs in the size of the military establishment?), and (3) the crucial nature of mission (to what degree do the importance of missions differ, and what consideration should be given in the setting of armed forces retirement provisions and the granting of benefits?). The bearing of such matters upon a comparative study is appreciated, and it should be recognized that they are factors that are difficult to weigh.

#### Importance of the study.

Today there are frequent references in the daily newspaper to adoption of new pension plans and modification of old plans. These testify to the important role that the subject of retirement plays in today's industrial world. Strikes, often threatened and frequently executed, testify that this is currently an important issue. In 1948, the National Labor Relations Board, in the case of the Inland Steel Company, ruled that employers must bargain collectively on pensions, health and welfare benefits.<sup>3</sup> Congressional consideration of amendments to the Social Security Act attest the national significance of security in old age and disability.<sup>4</sup> Passage of the "Career Compensation Act of 1949" demonstrates active interest by the government in retirement laws





affecting the armed forces. Enactment of this law, covering both service compensation and disability retirement, was preceded by a number of studies and extensive hearings on all phases of military retirement. Only wide differences of opinion on certain phases of retirement and the urgent need for minimum legislation accounts for the failure to include all types of retirement. Superannuation, forced, and "voluntary" retirement, financing and administration of the retirement systems within the military establishment continue to be a subject of Congressional study. As in the consideration of such legislation involving the expenditure of government funds for programs included under personnel management, the question recurs, "How does this proposal compare with practice in business and industry?"

#### Data and methods used.

As indicated above, the field of industrial retirement systems is an extensive one because of the number of plans involved. Also, among individual plans there is an extremely wide variation in provisions for retirement benefits, vesting, contributions and other factors. Therefore, the writer sought data which might provide information more representative of industrial practice than would a necessarily small sample of individual plans. Information of this type was found in the form of four separate surveys conducted by one author and two large organizations: a survey of 289 retirement plans conducted by the Bankers Trust Company of New York,<sup>5</sup> separate analyses of 376 group annuity plans<sup>6</sup> and of fifty employee benefit plans in the steel industry,<sup>7</sup> and a survey of 612 retirement plans by Hugh O'Neill.<sup>8</sup> Although



individual company plans will be used for supplementary purposes, data derived from the above sources will be used primarily in direct statistical comparisons.

#### Previous research in the subject field.

In 1948, J. R. Mackroth at this university, presented a thesis in which he made a study comparing the retirement system of the United States Navy with systems in the Federal civil service, the State of Ohio civil service, the Foreign Service of the State Department, and Social Security.<sup>9</sup> The present study may be considered an extension of the above comparisons into the business and industrial fields.

#### HISTORY

It is known that pensions were granted to military personnel in the days of the Roman Empire,<sup>10</sup> but in those early days of history, up through the communal and feudal eras, there was little need for security plans covering the population at large. Man's life lay close to the soil, and from birth to death he drew his subsistence directly from the land. In his old age, he was cared for and supported at home by the younger generation. His position in society was usually fixed from birth, depending upon the class into which he was born and each class was responsible for the welfare of the class just below it. However, with the advent of the industrial system, his position underwent a social and economic change. From then on his position in economy was based, not on status in a hierarchy, but on individual contract in employment.<sup>11</sup> Economically, he was now dependent upon wages to provide him with the



Industrial property (patents) will be used for the development of the

country from the above sources will be used primarily in the

industrial development.

The above sources of income will be used for the development of the

### Previous research is the subject of the

In 1948, J. E. Gendron at this university, presented a

thesis in which he made a study comparing the investment system of the

United States with that of the Soviet Union, the main

of this study was, the foreign investment of the United States, and

United States. The present study may be considered an extension of

the above comparison into the business and industrial fields.

### Summary

It is found that the above sources of income are

the type of the above sources, but in those cases where the

through the amount and quality of the investment, there was little need for

these sources of income as compared to the

and from this it was found that the investment system of the

United States, in the above, is more developed and more advanced than that of the

United States. The results of the study are similar to those of the

study, regarding the above, which is the same as the above.

and responsible for the above in the above field of research.

also the above of the industrial system, the results of the study are similar.

and economic system. From this it was found that the investment system of the

United States is a more developed and more advanced than that of the

United States. The results of the study are similar to those of the

study, regarding the above, which is the same as the above.

essentials of life. When employment ceased, life, or at least the standard of living, was endangered. It was to meet the needs of this new predicament that large-scale pension plans came into being. In the years since the beginning of the new era, industry has seen provision made for the non-employable through charity, both public and private, and through savings, both voluntary and compulsory. As with many social reforms, the development of formal retirement plans seems to have originated with government. In 1810, a formal retirement plan was adopted for British civil servants.<sup>12</sup> A retirement system was developed for Swiss school teachers in 1839.<sup>13</sup> In 1852, the English adopted a plan for military personnel.<sup>14</sup> A contributory retirement system was adopted in German industry in 1860.<sup>15</sup> Murray Latimer mentions records of pensions being granted to slaves in the United States.<sup>16</sup>

#### Business and industry.

One method of providing for superannuated and disabled employees is still in use today, although to a lesser degree than in years past. This is the provision of lower paid jobs whose requirements can be met by the employee of decreasing or reduced capabilities. Examples of such provision are in the filling of positions as watchmen and gatekeepers by employees no longer able to meet the physical or mental requirements of formerly held jobs. Also, in the nineteenth century there were numerous informal pension plans, in which a former employee might be provided for through the disbursement of company funds, depending on business conditions and the whims of the employer. Murray Latimer, in a very thorough study of industrial retirement plans in the





United States and Canada, notes that the first formal retirement system on the American continent was that of the Grand Trunk Railway of Canada, adopted in 1874.<sup>17</sup> It was a contributory system (for the clerical and indoor staff entering service before the age of thirty-seven) under which employee and employer each contributed  $2\frac{1}{2}$  per cent of salary and retirement was permitted at the age of fifty-five with an annual benefit equal to one sixtieth of pay at time of retirement multiplied by the number of years service, with a maximum of two thirds of final pay. In 1875 the American Express Company inaugurated a non-contributory system.<sup>18</sup> The Baltimore and Ohio Railroad inaugurated a contributory plan in 1880.<sup>19</sup> The first formal plan in the manufacturing industry was initiated in 1882 by Alfred Dolge, a New York felt manufacturer. His company, however, failed in 1898 and it was not until 1901 that the Carnegie Steel Corporation inaugurated the first enduring plan in the manufacturing field.<sup>20</sup> Leading the way in the development of retirement plans were the railway, steel, public utility, and oil companies. Indicative of the extension of coverage of employees in the railroad industry in the United States are the following figures: in 1890 approximately three per cent of all railroad employees were covered by retirement plans, in 1900 eleven per cent, in 1910 fifty per cent, in 1920 seventy-six per cent, and in 1927 eighty-two per cent.<sup>21</sup> Since the latter date the federal government has taken control of retirement in this field under the Railroad Retirement Act of 1935.

Overall growth of plans in business and industry is indicated in the following list of plans adopted up to 1929:<sup>22</sup>

84  
The first of these was the fact that the  
the first of these was the fact that the

1. The first step is to identify the problem or goal. This involves understanding the current situation and what needs to be achieved.

11. The fact that the defendant was not a member of the organization at the time of the commission of the crime is not a defense.

The following are the names of the persons who have been identified as having been in contact with the subject during the period of the investigation:

THESE THINGS ARE NOT THE ONLY THINGS THAT ARE IN THE WORLD OF MAN. THERE ARE MANY OTHER THINGS THAT ARE IN THE WORLD OF MAN. THERE ARE MANY OTHER THINGS THAT ARE IN THE WORLD OF MAN.

On arrival, however, it was found that the railway, which, until recently, had been closed, had been reopened. The railway was found to be in a state of disrepair, and it was found that the railway was not in a position to handle the traffic which was expected to be sent to the railway. The railway was found to be in a state of disrepair, and it was found that the railway was not in a position to handle the traffic which was expected to be sent to the railway.

15

...the following information was obtained from the records of the ...

<sup>61</sup> Ibid. at 100 (quoting *United States v. Gurnea*, 326 U.S. 180, 183 (1945)).



1874 to 1900 - 12 plans adopted  
1901 to 1905 - 24 plans adopted  
1906 to 1910 - 30 plans adopted  
1911 to 1915 - 101 plans adopted  
1916 to 1920 - 120 plans adopted  
1921 to 1925 - 72 plans adopted  
1926 to 1929 - 59 plans adopted

Of these 418 plans, 397 remained in 1929. Treasury Department data on plans approved by the Bureau of Internal Revenue indicate rapid growth in later years.<sup>23</sup> 517 plans were initiated from 1930 through 1939. In 1940 and up through August 1942, 843 plans were initiated. Over four thousand plans were initiated in the following twenty-eight months, through 1944. By the close of 1946 a total of approximately seven thousand plans had been inaugurated. As previously indicated, a total of about nine thousand retirement plans are now in operation. (Lest these numbers prove misleading to the reader, it should be noted that the total number of corporations in the United States approaches five hundred thousand).<sup>24</sup> Principal causes of the radical increase in numbers of plans during the recent war years were three in number: (1) the allowance of corporation income tax deductions for profits transferred to approved pension plans, (2) the high excess profits tax rate during these years, and (3) the freezing of wages, inclining employers to attract and hold employees through other forms of compensation.

The Old Age and Survivors Insurance (Social Security) and





Railroad Retirement systems, administered by the federal government, also provide for industrial workers.

Armed Forces.<sup>25</sup>

"Voluntary" retirement for military personnel, contrary to the belief of many, although initiated at the request of the member of the military establishment, may not be effected without the approval of the Secretary of the department concerned. Such approval is usually given only on grounds that will be of benefit to the government. From its inception in 1855, voluntary retirement has been closely associated with the maintenance of a promotional system and has developed into an inducement in the recruitment and retention of personnel. An act of 1855 provided that naval officers of certain grades could be placed on a "Reserve List" with either leave of absence pay or furlough pay. A "Retired List" was established in 1857, marking its first appearance on Federal statutes. With the advent of the Civil War more attention was paid to the disposal of superannuated officers who, though no longer fit for service (some were over eighty years old), were nonetheless holding down active duty billets. So in 1861 legislation was enacted, covering both the Army and the Navy, which provided for voluntary retirement of officers at seventy-five per cent of active duty pay after forty years of service. This legislation failed to eliminate the "dead wood" problem of the services and by 1899 the service requirement had been reduced to thirty years and provisions had been extended to include the enlisted personnel of both branches. In 1916, the Navy's Fleet Reserve system was established whereby enlisted men could apply for transfer to

national government system, maintained by the federal government,  
also provide for individual states.

### General Forces.

"Voluntary" collection for military purposes, contrary to  
the belief of many, always existed as the subject of the nation at  
the military establishment, and was not attended with the spirit of  
the property of the government. Such a spirit is usually  
given only to those that will be of benefit to the government. From  
the inception in 1800, voluntary collection has been almost universal  
with the maintenance of a provisional system and has developed into an  
instrument in the maintenance and extension of government. In 1812  
the government that until 1800 of certain troops could be placed on  
a "General List" with other laws of defense by or for the army. A  
"General List" was established in 1807, under the first agreement on  
Federal statutes. With the advent of the Civil War, the army expanded and  
began to be placed at considerable intervals and, under no longer the  
the system (now with over 100,000 men) with considerable numbers  
then active were placed. In 1861 legislation was passed, providing  
with the law and the army, which provided for voluntary collection of  
efforts as necessary for the army and navy for the first time  
in service. This legislation failed to provide the "Good will"

Problems of the service and of 1877 and service legislation had been  
placed in 1877, with the provisions for the service in 1877 the  
service provided in 1877. In 1877, the army's first service  
system was established which provided for the service in 1877.

inactive status after sixteen years service. In 1925 the service requirement was increased to twenty years. Twenty year retirement for enlisted personnel of the Army was authorized in 1945. In order to reduce a serious hump in the officer ranks of the Army, caused by the influx during the first World War, retirement of officers with fifteen years service at the rate of  $2\frac{1}{2}$  per cent of base pay ( $2\frac{1}{2}$  per cent times years of service times final pay) was authorized in 1935. For a similar reason, notwithstanding a previously initiated promotion system involving forced retirement, similar legislation was enacted for the Navy in 1938, but with a twenty year service requirement. Public Law 305, in 1945, brought all services into uniformity for both officers and enlisted personnel, authorizing requested retirement after twenty years service, at a rate of pay of  $2\frac{1}{2}$  per cent of base pay per year of service, if approved by the Secretary of the service concerned. Requests of enlisted personnel for retirement under this law are almost invariably approved. In the case of officers, however, approvals of requests are few.

Forced retirement is effected as a consequence of failure of selection for the next higher rank or because of having reached the statutory age limit, and applies only to officer personnel. Superannuation retirement was introduced in 1861 as part of the same legislation noted above, with an age limit of sixty-two years. This was later extended to sixty-four years and then, recently, again reduced to sixty-two years. Promotion systems, designed for the purpose of maintaining vigorous physical and mental capacity throughout the







commissioned ranks, were introduced relatively late in service history. In 1899, a "selection-out" system was enacted in the Navy with the introduction of "plucking" boards which selected for forced retirement certain prescribed numbers in the various ranks in order to maintain an adequate flow of promotion. This procedure was changed in 1916 with the adoption of a "selection up" system for captains, commanders and lieutenant commanders, under which those who failed of selection were forced to retire upon reaching certain age limits, at the  $2\frac{1}{2}$  per cent retirement pay rate. The Officer Personnel Act of 1947 extended the Navy's promotion system to the Army and the Air Force. Promotion through selection was applied to all except the lowest officer rank, and forced retirement for those "passed over" was set up on a years service basis.

Disability retirement was initiated in the early months of the nation's history with the passage of a law in 1776 providing for the retirement on half pay of personnel, officer and enlisted, disabled in line of duty.<sup>26</sup> Subsequent legislation indicates that this act expired in time, for in the law of 1861 provision was made for the disability retirement of officers on seventy-five per cent of active duty pay and in 1867, legislation applicable to naval enlisted personnel, provided for half-pay disability retirement after twenty years service and for disability assistance from the Naval Pension Fund after ten years service. In 1941, disability retirement provisions were extended to enlisted personnel of the Army. The "Career Compensation Act of 1949" set up uniform disability legislation for officers and enlisted personnel.<sup>27</sup> For those with a disability of thirty per cent or more, as

1. The first of these is the fact that the United States has a long and distinguished record of leadership in the field of human rights. This leadership has been based on a firm belief in the principles of democracy and the rights of the individual. It has been based on a belief that the rights of the individual are the foundation of a just and free society. It has been based on a belief that the rights of the individual are the foundation of a just and free society.

determined under the Veterans' Administration standard rating, retirement may be effected at either a rate equal to the disability percentage or at the  $2\frac{1}{2}$  per cent times years of service rate, at the choice of the individual. For those with a disability of less than thirty per cent, severance pay (two months active pay per year of service to a maximum of two years pay) is provided, except that those with twenty or more years service may retire at the  $2\frac{1}{2}$  per cent rate.

An interesting form of remuneration, not classifiable under any of the above types, was that provided by an act of 1778 for a pension at one half pay for seven years for all officers remaining in service until the end of the Revolutionary War.<sup>26</sup> This is a vivid example of deferred compensation used for the sole purpose of "holding the employee".





## CHAPTER II

## THE PURPOSE OF AND THE PAYMENT FOR RETIREMENT SYSTEMS

## PURPOSE

Retirement systems provide advantages to three broad groups in the modern community. Each of the three, with the passage of time, has evinced an increasing interest in this subject. First, the employer (management, the stockholders, the government) has found that herein lies an effective means of increasing productive efficiency, so essential to the security of any large scale enterprise. Second, the employee (the executive, the machinist, the soldier) finds in retirement systems one means of insuring himself, and of course his dependents, against the day when through accident, disease, or natural deterioration of mind and body, his services to the community can no longer demand a living wage. Third, organized society by virtue of its self-interest in the well-being of humanity finds here an orderly, reasonably reliable and self-respecting means for the alleviation of human suffering.

The employer.

Until recent years, systems of retirement have usually originated with the employer. Especially in industry, this gratis distribution of capital has not been made through the "goodness of heart" of the employer, but rather through an appreciation of certain advantages to him. A few industrial plans recognize this fact in literature issued to employees. A large public utility corporation notes that without a retirement plan, ". . . there would be a slowing

## CHAPTER II

THE HISTORY OF THE UNITED STATES

The history of the United States is a story of the growth of a nation from a collection of small, isolated colonies to a great, unified republic. The story begins with the first settlers, who came to the New World in search of a better life. They found a land of vast resources and a people who were eager to learn from them. The colonies grew in number and in size, and they began to assert their independence from the mother country. The struggle for independence was long and hard, but it was worth the effort. The United States was born, and it has since grown to be one of the most powerful nations in the world. The story of the United States is a story of the triumph of the human spirit over adversity, and it is a story that inspires us to strive for a better future.

## THE UNION

The Union is the foundation of the United States. It is the bond that holds the states together, and it is the source of the nation's strength. The Union was created by the Founding Fathers, who saw the need for a strong central government to protect the rights of the people and to ensure the stability of the nation. The Union has since grown to include all the states, and it has become the most powerful force in the world. The Union is the heart of the United States, and it is the source of our pride and our hope for the future.

down of the telephone team as a whole and impairment of the telephone service."<sup>1</sup> A large automobile manufacturer, presenting his retirement plan to employees, writes, "It is therefore essential to any business that those of its people whose days of usefulness are declining be replaced by others younger and more vigorous."<sup>2</sup> The report of the Hoover Commission refers to the design of retirement systems for government organizations in order to, ". . . attract and hold qualified men and women . . ." and further remarks that, "Attention is focused on the efficiency of the organization, as is notably the case not only in the armed forces . . ."<sup>3</sup> Following are what are considered to be the four principal purposes of retirement systems:

Elimination of the superannuated.

Those who, because of declining physical and mental performance, cannot perform at normal efficiency adversely affect the overall organizational efficiency. Aside from accident hazards in certain types of work, the retention of superannuated employees may be considered to represent a loss equal to the difference between the salary paid them and the amount actually earned, as represented by their contribution to production. This factor assumes even greater importance in an organization's top management. Frequently, personnel whose activities demand more extensive and arduous physical effort are permitted earlier retirement than others, in appreciation of the earlier age at which physical capacity commences its decline.

Elimination of the disabled.

The benefits of eliminating the disabled employee







are similar to those discussed above. Unless the minimum physical standards for efficient performance are met, the productive efficiency of the organization may be expected to suffer. In industry, those who are only partially disabled may often continue in the same positions; others, as necessary, may be provided employment with lesser physical requirements. The armed forces demand of all their personnel an extremely high physical standard of performance, regardless of immediate duties, because of the basic mission of the organization. However, careful classification of positions may reveal a number which could be filled by persons with less than complete physical fitness.

#### Attract and hold employees.

As early as 1918 Lewis Merian, writing on the retirement of public employees, said, ". . . men who would not compete for the salary alone will compete for the salary plus the promised benefits. . . . Men once in the service who would resign if there were no benefits will be held because of them."<sup>4</sup> The late Secretary of Defense James Forrestal noted the Services' need for compensation, including retirement benefits, that, ". . . will enable them to attract and retain their fair share of the best kind of men . . ."<sup>5</sup> During the past war, when industrial concerns could not compete for employees on a basis of wages, retirement benefits were offered as inducements. Today, large corporations attract and hold high echelon executives by the offer of very substantial pensions, six figure salaries having lost much of their attraction because of income taxes.<sup>6</sup> Writers in the past have pointed out that new young employees are much less interested in future benefits than in immediate wages and salaries. However, it would appear

the idea of these financial goals. Under the system proposed, the only way to achieve the financial goals is to increase the efficiency of the organization and to reduce the costs. In order to do this, the organization must be able to measure its performance in terms of the financial goals. This can be done by using a system of financial ratios and other financial indicators. The system proposed in this report is designed to help the organization to achieve its financial goals by providing a clear and concise system of financial ratios and other financial indicators. The system is designed to be easy to use and to provide a clear and concise picture of the organization's financial performance. The system is designed to be a useful tool for the organization's management and for the organization's financial planning. The system is designed to be a useful tool for the organization's management and for the organization's financial planning.

It is also to be noted that the above mentioned information is being furnished to the Bureau of the Census for their information and use.

[illegible]

of very substantial benefits, the figure which might well be their estimate because of factors such as  $\delta$  which in the past have not been included in such calculations or taken into account in the same way as before. However, it would be more

that with the wide publicity given to pensions in the past two years, even the young age group would become more security conscious. In any case, in an organization which operates on a planned attrition basis, as do the armed forces, the attraction of liberal retirement benefits proves to be an important factor.

#### Elimination of the less efficient.

Elimination is evident only in the armed forces, where it is applied to the officer ranks through the system of promotion. This system, in effect, provides that of every one hundred officers entering the service at junior rank only about two shall continue in service to the superannuation age and attain to highest rank. After specified periods of service in the various ranks (except the lowest), selection boards choose certain percentages of officers for continued service. Those not so selected are separated from the organization. Through this procedure the government is assured that only the best officers, not necessarily all those who may be qualified, are advanced in rank, at the same time providing better opportunity for advancement to top rank to all future entrants.

#### Miscellaneous.

Other purposes which overlap with the above, have a very limited effect, or are totally without support, are deserving only of passing mention. These are: benevolence, improvement of morale, development of incentive, encouragement of thrift, rewarding of long and faithful service, promotion of community good will and better management-employee relations. Worthy of particular note as a reason for, (rather



[illegible]

1. The first of these is the fact that the Government has not yet decided whether it will accept the offer of the United States to provide a loan of \$100 million to the Government of the Republic of the Philippines. This offer was made by the United States in 1954, and the Government of the Republic of the Philippines has been unable to obtain the necessary funds to carry out its development program. The Government of the Republic of the Philippines has been unable to obtain the necessary funds to carry out its development program. The Government of the Republic of the Philippines has been unable to obtain the necessary funds to carry out its development program.

1. The first step in the process of developing a new product is to identify a market need. This is often done through market research, which can involve surveys, focus groups, and other techniques. The goal is to understand what customers want and what problems they are trying to solve.

than as a purpose of) retirement plans, is the fact that the industrial employer has the opportunity of gaining a portion of the above benefits at minimum cost to himself, in that such contributions as he makes to pension plans are deductible in the computation of federal taxes.

During World War II profits and taxes rose to such heights as to permit the employer to provide retirement plans for a cost of as little as fifteen to twenty cents on the dollar.<sup>7</sup>

#### The employee.

The interest of the employee in retirement plans lies almost entirely in their provision for his future security. However much beyond his administrative control, private retirement plans provide him with a relatively simple and painless means of attaining that security. Particularly in the higher income brackets, where high tax rates and low investment interest rates have made it increasingly difficult for the individual to accumulate funds for future security, the provision of retirement plans by employers permits the accumulation of future income with minimum tax on present pay. Insofar as pension plans represent a form of profit sharing in industry, it is noted that in a Congressional survey of employee opinion on preference for method of receiving profit shares, fifty per cent expressed preference for their being placed in retirement funds, only thirty-five per cent preferred receiving them as part of regular pay.<sup>8</sup>

#### Society.

Meriam recognizes the adoption of retirement systems as a





"turning point in social evolution" and effectively sums up the viewpoint of society in the following words:<sup>9</sup>

It is, therefore, a constructive social measure, because it tends toward greater stability and independence and reduces the need for public and private charity; and it does this by compelling the employees while possessed of full earning capacity to save part of their compensation for services rendered in order that they may be protected when their earning capacity fails.

Goldstein speaks of three layers of security; the first, provided through government activity (Social Security), supplying the bare essentials of existence; the second, through private pension plans, providing enough to increase income to a level that permits a reasonable standard of living; and third, personal thrift providing the luxuries.<sup>10</sup> Those who would let the thriftless suffer for their fault should realize that society has a lively interest in the dependents of the breadwinner, especially where the latter may be shortsighted in planning for the future. Aside from security to the individual member of society, it is noted that stability of income tends to reduce the swing of business cycles and in that sense contributes to the national economic health.<sup>11</sup>

#### PAYMENT

Who pays for retirement? When the retired employee, reflecting on his continuing income from a private or government retirement system, feels grateful for security in his closing years at home, in which direction should his mind turn in gratitude for this income? To the extent that he is receiving a return on his own contributions into the retirement fund, all will agree that this is his own money returning to its rightful owner. But what of the contributions made by his former

Japanese policy is entirely consistent and continuously based on the same

point of view, in the following manner:

On 14, November, a representative of the Japanese Government, Mr. Kato, stated that the Japanese Government is determined to maintain the peace and stability of the Far East and to prevent any further expansion of the Japanese Empire. He stated that the Japanese Government is determined to maintain the peace and stability of the Far East and to prevent any further expansion of the Japanese Empire.

Japanese policy is based on the same point of view, in the following manner:

Through government activities (social security, education and law)

establishment of relations, the second, between Japan and

provision of funds to various bodies in a third, that Japan is determined

to establish of relations and to prevent any further expansion of the Japanese Empire.

These are the main points of Japanese policy, which are based on the same point of view.

That policy has a third feature, in the development of the Japanese

especially since the Japanese are determined to limit the

future. Since then, however, it has been determined to limit the

scope of activity of various bodies in the Far East and to prevent any further expansion of the Japanese Empire.

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scope of activity of various bodies in the Far East and to prevent any further expansion of the Japanese Empire.

employer, whether he be in the business of manufacturing automobiles or that of providing public service? Employer contributions normally total at least half of the payment into retirement costs. The answer here is closely related to the issue of contributory plans versus non-contributory plans and that of vesting, discussed in succeeding chapters.

### The employer pays?

Since the employer's contributions come from funds under his control, many think, and many employers are loathe to admit otherwise, that such contributions are a true cost to ownership. Those who accept this premise must conclude that pensions are simple acts of benevolence, "rewards for service". But, as indicated in previous sections of this chapter, the employer is not giving something for nothing. Retirement plans are initiated by management for purposes advantageous to management.

### The Consumer?

It may be said that the consumer pays the costs of retirement systems, just as he absorbs the charges for wages, materials and overhead in production. As we shall see later, some or all of the expense of retirement may in time be eliminated through increased productivity. Further, to the degree that the government surrenders taxes on profits allowed as deductible, because of employer contributions to pension funds, it might be said that the consumer, as a taxpayer, is bearing the costs.

### Retirement costs absorbed in productive efficiency?





Retirement systems may pay for themselves, insofar as the amount of working capital is concerned. O'Neill advances this idea in what he refers to as the "equalization theory"; given costs may provide certain benefits which will result in equal savings.<sup>12</sup> In a recent article on pension plans, *Fortune Magazine* recommends that management defray the costs of retirement plans by increasing productive efficiency instead of by increasing prices or accepting a decrease in profits.<sup>13</sup> The Timken Roller Bearing Company advises its employees that "Pensions Need Production". It reasons that unless production is improved to the point that it bears the costs of pensions, such costs must be reflected in higher prices, resulting in lower profits and reduced payments into pension funds.<sup>14</sup> Another large corporation has geared retirement benefits directly to company profits as an incentive to worker efficiency.<sup>15</sup>

### The employee?

There is extensive and increasing support for the viewpoint that employer contributions are deferred wages, that the employee earns his retirement income. Meriam speaks of retirement systems as being ". . . established by the government primarily in its own interest, but operated at the expense of the employees."<sup>16</sup> Fritchett notes that employer contributions are absorbed in the salary scale and that in the long run employees provide their own retirement pay.<sup>17</sup> The establishment of a retirement system marks a policy of paying partly in immediate wages, and partly through retirement benefits accumulated over a period of years in the form of compulsory savings. The Secretary of Defense, in outlining the mission of the Advisory Commission on Service Pay wrote,





"Many things combine to make up the compensation received by an individual for a given job . . . such things as insurance, retirement pay, and survivor benefits."<sup>18</sup> Members of Congress, when petitioned for pay increases to public servants, rightly point to the value of retirement benefits as a factor to be considered in arriving at a new salary scale for government employees. Especially since release of the recommendations of the President's recent steel fact-finding board, labor organizations are seeking the benefits of pension and welfare plans as a means to increased compensation.<sup>19</sup> Certainly in a competitive labor market, in an organization where there is no retirement plan, employees may expect to obtain increased immediate wages in the absence of deferred money benefits. The weight of opinion definitely seems to favor the proposition that retirement benefits derived from employer contributions really are deferred wages earned by the employee.



## CHAPTER III

## CONTRIBUTORY VERSUS NON-CONTRIBUTORY SYSTEMS

The controversy as to whether a good retirement system should be contributory (employee and employer both contribute) or non-contributory (employer pay all) is one based on best practice rather than on principle. As pointed out in the preceding chapter, the cash benefits that an employee receives from a retirement system represent "deferred wages", a return to him of his own money. We are now concerned with whether it is best to accumulate such benefits solely from employer payments or to have part of the payment routed through the employee's salary. Although management and labor have not usually opposed one another, on this issue, such a division has taken place recently in the movement of large labor organizations for increased compensation through pension and welfare benefit plans. This issue was the principal stumbling block in the recent United States Steel Corporation strike in 1949. Time Magazine commented on this controversy over contributions, "Actually the Murray-Fairless fight appeared to be less a matter of principle than one of various prejudices and prejudices".<sup>1</sup> The contributory issue is a current one in consideration of changes to the retirement systems of the armed forces, which are now non-contributory. The President,<sup>2</sup> and a joint armed services personnel board<sup>3</sup> have expressed themselves as favoring a change-over to the contributory type. On the other hand, the Hook Commission, which conducted an extensive study of compensation in the armed forces, recommends retention of the present non-contributory





system whereby the government pays all.<sup>4</sup> The President's steel fact-finding board, in its report submitted in September 1949, noted a "great trend in recent years" to non-contributory plans.<sup>5</sup> However, to many, no such trend is clearly evident, and it may be that the board's findings in this matter have created a trend rather than reflected one. In the following pages is presented an analysis of the comparative merits of the two systems, a consideration of present practice, and observations directed toward the problem in the armed forces.

#### Advantages of the contributory system.

To the employee.

Surety of benefits is greater under the contributory system. Here, the payments of the employee are clear evidence of his stake in the benefits. There can be little excuse for the employer's not making good on his plan if a portion of the supporting funds are directly provided by the members. Further, employee contributions usually necessitate the setting up of a reserve fund which acts as an insurance against business failures in industry and economy movements in government. Under a contributory system, there should be less danger of curtailment of promised benefits such as have been threatened in the past.<sup>6</sup>

With a contributory system, the employee can expect to receive a greater portion of his "deferred wages" in event of early separation from his employing organization, and in event of his death his dependents should obtain greater benefits. When an employee has been a member of a retirement system beyond a limited period, the employer cannot justly deny to him the return of his contributions unless





a previous understanding to this effect is recognized. There is strong argument as well for return of the employer's contributions to employee or dependent.

Opportunity for voluntary contributions on the part of employees may be expected in contributory plans, with resulting increase in security benefits. This practice is evident in many industrial plans as well as in the Federal civil service and foreign service plans.

Greater employee control in administration of the retirement system may be obtained when it is of the contributory type. The American Federation of Labor advises its unions, ". . . it may be necessary or advisable at times to accept a contributory arrangement, in order to get a stronger voice in administration of the fund . . ."<sup>7</sup>

Ability to vary equities through choice of optional methods of payment of benefits are more frequently found in contributory systems. For instance, a reduced retirement income might be selected by the employee in order to secure increased survivorship benefits for a dependent wife.

To the employer.

The fact that an employee contributes toward his future benefits acts as a brake on excessive demands for increase in benefits. With a contributory system, an increase in allowed benefits is normally accompanied by an increase in employee (as well as employer) contributions, causing the employee to give careful consideration to the desirability of such increase in expenses.

An employee, through his contributions, becomes an

Dependent on the situation, the subject may be either the agent or the patient.

It is noted that the above information is for the year 1964 and is not intended to be used for any other purpose. The information is for the year 1964 and is not intended to be used for any other purpose.

It is to be noted that the above information is for the purpose of the investigation of the case and is not to be used for any other purpose.

The employee is under no obligation to accept or decline the offer of employment.

...the fact that the ...

active participant in a retirement system and he undoubtedly thereby better appreciates the system. Davis observes that an employee benefit program which the employee does not support, one in which he does not participate, one in which no sacrifice is involved, is of questionable value in effecting the desired improvement in management-labor relations.<sup>8</sup>

#### To society.

Society has an interest in the stability of economic conditions as well as in the security of the individual. A contributory system is more likely to be based on actuarial computations by which the present generation (to whom employee services are rendered) properly pays for its own future benefits. Society is assured that promises will be met and that benefit costs will be paid when they are incurred and will not be passed on to future generations.

Increased security may be expected from a system which makes provision for voluntary contributions beyond those required by the retirement plan.

#### Disadvantages of the contributory system.

##### To the employee.

Under present tax laws, the employee may suffer a money loss through higher personal income taxes. Whereas the contributions of the employer are deductible, those of the employee are not deductible and that portion of his income which he turns over to the retirement system is subject to tax. It would seem that the federal government, having through its exemptions to employers given impetus to





the movement toward security through retirement plans, could do more in the same direction by extending exemptions to employee contributions.

To the employer.

Administrative costs are higher in a contributory system because of the additional expense of handling payroll deductions and accounting for employee contributions.

It is probable that the employer is less able to exercise control over the employee because of his having to share control of the retirement fund with the employee and because of the employee's having a more obvious right to retirement funds.

The employer is likely to receive less credit for the benefits that the employee derives from the retirement program, since in a contributory system it stands out more clearly that the employee's money is behind the program.

To society.

In a contributory system which does not require the membership of all employees, those employees who choose not to join are likely to deprive themselves and their dependents of security, with unfavorable social consequences.

### Practice.

Although the practice followed in any given field is not necessarily the best practice, it often serves as an effective means of developing public opinion in favor of that practice. It has previously been noted that the President's steel fact-finding board, in its findings in 1949, discerned a "trend" away from contributory systems toward the





non-contributory type. It is suggested that this finding is in error, although it may have reflected the bargaining practice of labor organizations in months preceding the board's meeting. It may of itself have created a trend which did not previously exist. In 1948, Walter Reuther said that no pension plan was adequate unless the employer contributed at least seventy per cent of the cost.<sup>9</sup> In 1950, it appears that he, and other powerful labor leaders, consider no plan adequate unless the employer contributes a full one hundred per cent of the cost.

Table I contains a summary of pension survey data covering plans adopted from before 1900 up through early 1948. It will be noted that in early years, plans were predominately non-contributory (Lines 1, 2, and 3). During the 1930's, and up to the period of our entry into World War II, contributory systems predominated among the new plans adopted (Lines 4 and 5). During the war years there was a strong swing back to the non-contributory type (Lines 6, 7, and 8), because employers, with excess profits, took advantage of the tax exemption privilege as applied to retirement plans. With the end of the war, and a reduction in income taxes, a trend back to contributory systems set in and appears to have continued at least through 1947. One source reports that this trend continued into 1949, although no substantiating data is offered.<sup>10</sup> Of the 6,862 plans approved by the Income Tax Unit of the Bureau of Internal Revenue up to August 1946 (Line 16), approximately thirty-seven per cent were contributory. However, based on total numbers of employees covered by each of the two types of systems, about forty-seven per cent (over one and one half million employees) were covered by contributory

1. The first of these is the fact that the Commission has not yet received any information from the Government of the United States regarding the results of its investigation of the activities of the Soviet Union in the United States. This is a serious matter, and it is hoped that the Commission will be able to obtain the necessary information in the near future.

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7. The seventh of these is the fact that the Commission has not yet received any information from the Government of the United States regarding the results of its investigation of the activities of the Soviet Union in the United States. This is a serious matter, and it is hoped that the Commission will be able to obtain the necessary information in the near future.

8. The eighth of these is the fact that the Commission has not yet received any information from the Government of the United States regarding the results of its investigation of the activities of the Soviet Union in the United States. This is a serious matter, and it is hoped that the Commission will be able to obtain the necessary information in the near future.

9. The ninth of these is the fact that the Commission has not yet received any information from the Government of the United States regarding the results of its investigation of the activities of the Soviet Union in the United States. This is a serious matter, and it is hoped that the Commission will be able to obtain the necessary information in the near future.

10. The tenth of these is the fact that the Commission has not yet received any information from the Government of the United States regarding the results of its investigation of the activities of the Soviet Union in the United States. This is a serious matter, and it is hoped that the Commission will be able to obtain the necessary information in the near future.

plans. The Bankers Trust and Social Security Administration surveys both show high total percentages of contributory plans adopted since 1942, although samples in both cases are limited in number (Lines 17 and 18).

Employee-benefit plans covering special disability, death, sickness, hospitalization, etc., are very largely contributory. Of fifty plans in the steel industry surveyed in 1948, only two were non-contributory.<sup>11</sup>

Among the retirement plans administered by the federal government, covering relatively large groups of employees, only those of the uniformed services (armed forces, Coast Guard and Public Health Service) are non-contributory.<sup>12</sup>

#### Amount of employee contributions.

Most common practice is for employee contributions to be a percentage of salary, with the rate on the first \$3,000 (the limit for Social Security payroll deductions) being less than that on the portion over \$3,000. Most common percentages appear to be in the neighborhood of two per cent of the first \$3,000 and four per cent of that portion over \$3,000. Table II shows the contribution rates in 217 group annuity plans. Among federal retirement systems the rates are: six per cent for civil service; five per cent for foreign service; from 4.28 per cent (age 17) to 7.89 per cent (age 59) in the Tennessee Valley Authority, depending on age at time of entry;  $1\frac{1}{2}$  per cent for Social Security (but only on first \$3,000 of annual compensation); six per cent for Railroad Retirement (but only on first \$300 of monthly compensation).<sup>13</sup>

It is important to note that the rate of contributions by



1. The first step in the process of identifying a problem is to define the problem. This involves identifying the symptoms of the problem and determining the scope of the problem. Once the problem has been defined, the next step is to identify the causes of the problem. This involves identifying the factors that are contributing to the problem and determining the root cause of the problem. Once the causes of the problem have been identified, the next step is to develop a plan to address the problem. This involves identifying the actions that need to be taken to address the problem and determining the resources that will be needed to implement the plan. Once a plan has been developed, the next step is to implement the plan. This involves taking the actions that have been identified in the plan and monitoring the progress of the plan. Finally, the last step in the process is to evaluate the results of the plan. This involves determining whether the plan has been successful in addressing the problem and identifying any lessons learned from the process.

11

1. The following information was obtained from the records of the Department of the Interior, Bureau of Land Management, regarding the land owned by the United States in the State of Nevada:

... ..

It is important to note that the rate of contribution to the fund is not fixed, but varies according to the amount of the contribution. The rate of contribution is 1% for contributions up to \$100,000, 2% for contributions between \$100,000 and \$500,000, and 3% for contributions over \$500,000. The rate of contribution is also subject to change by the Board of Directors.

the employee is likely to be reflected in the amount of benefits. Of 87 contributory plans in the Bankers Trust survey that provide for employee contributions both below and above \$3,000, the rate is related directly to the rate of accruing benefits (percentage per year of service used in computing retired pay). In most of these plans, the employee contribution rate is two times,  $2\frac{1}{2}$  times and three times the rate at which benefits accrue (where the benefit is two per cent for each year of service, the contribution rate would be four per cent, five per cent and six per cent, respectively). Of the 87 plans, only four use a multiple less than two per cent and only thirteen use a multiple higher than three per cent.<sup>14</sup>

Most employers contribute  $1\frac{1}{2}$  to 2 times as much as the employee. It is estimated that in the past ten years employee contributions have dropped from around forty-five per cent to about thirty per cent of total contribution.<sup>15</sup>

#### Adoption of a contributory system in the armed forces.

From the viewpoint of the personnel, it appears that the adoption of a contributory system has advantages. However, two factors must be recognized in making such a change. First, with the adoption of a contributory system and until such time as Congress allows a compensatory pay increase (for employee contribution), personnel would suffer a reduction in take-home pay in the amount of the contribution. Second, a compensatory pay increase having been effected, an increase in amount of income tax may be expected by virtue of the increase in gross pay.

From the government's viewpoint, it may be expected that





an increase in administrative costs would accompany adoption of a contributory system. However, it would be reasonable to expect the employee portion of the retirement fund to share in defraying this additional expense. Because of increased rights of personnel to return of funds in event of early separation, it might be expected that increased turnover of personnel would result with consequent adverse effect on military effectiveness. This potential difficulty could probably be avoided by restriction of early separation benefits to a form of deferred payment in which benefits would not be actually paid to personnel until reaching a pre-designated age. (This subject is further covered in the chapter on vesting). To the government's advantage is the fact that contributions by personnel will have the effect of restricting benefit demands to reasonable limits. (See Chapter V on funding for additional treatment of this subject).

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TABLE I  
ANALYSIS OF USE OF CONTRIBUTORY  
AND NON-CONTRIBUTORY RETIREMENT PLANS

Line	Note	Year of Adoption of plans	Contributory		Non-contributory		Total No. of plans
			Per cent	(No. of plans)	Per cent	(No. of plans)	
1	a	prior 1925	12%	( 28)	88%	( 211)	239
2	b	prior 1929	23	( 90)	77	( 307)	397
3	c	prior 1930	35	( 37)	65	( 68)	105
4	e	1930-1939	82	( 425)	18	( 92)	517
5	e	Jan. '40					
		to Aug. '42	62	( 526)	38	( 317)	843
6	e	Sept. '42					
		to Dec. '44	26	(1101)	74	(3109)	4210
7	d	in 1943	15	( 4)	85	( 22)	26
8	d	in 1944	43	( 29)	57	( 38)	67
9	d	in 1945	60	( 31)	50	( 21)	52
10	e	1945 to					
		Aug. '46	37	( 439)	63	( 750)	1189
11	d	in 1946	51	( 28)	49	( 27)	55
12	d	in 1947	70	( 23)	30	( 10)	33
13	a	prior 1925	12	( 28)	88	( 211)	239
14	b	prior 1929	23	( 90)	77	( 307)	397
15	e	prior					
		mid 1945	63	( 385)	37	( 227)	612
16	e	prior					
		mid 1946	37	(2528)*	63	(4334)*	6862
17	d	1942-1948	49	( 115)	51	( 118)	233
18	f	1942-1948	58	( 217)	42	( 159)	376

- Note: a. Industrial Pensions in the United States, (New York: National Industrial Pension Board, 1925), p. 15.  
b. Murray W. Latimer, Industrial Pension Systems in the United States and Canada, Vol. I, (New York: Industrial Relations Counselors, Inc., 1932), p. 50.  
c. Derived from data in Pension Trust Statistical Tables, (Washington, D.C.: Income Tax Unit, Bureau of Internal Revenue, undated).  
d. 289 Retirement Plans, 1948 edition, (New York: Bankers Trust Company, 1948), p. 15.  
e. Hugh O'Neill, Modern Pension Plans, (New York: Prentice-Hall, Inc., 1947), p. 291.  
f. Analysis of Recent Group Annuities Supplementing Retirement Benefits under Old Age and Social Security, (Washington, D.C.: Social Security Administration, 1947), p. 5.

\* Based on total numbers of employees covered by each type, approximate percentages are: contributory 47 per cent, non-contributory 53 per cent.





TABLE II  
EMPLOYEE CONTRIBUTION RATES  
IN  
GROUP ANNUITY PLANS  
ANALYZED BY  
SOCIAL SECURITY ADMINISTRATION<sup>a</sup>

On first \$3,000 of annual compensation	On annual compensation in excess of \$3,000		Number of plans	Per cent of 217 plans
	Varies from	Most prevalent		
None . . . . .	1% to 5½%	5% (13 plans)	26	12.0%
1 . . . . .	0 to 3½	1 ( 4 plans)	8	3.7
1½ . . . . .	1½ to 4½	3 ( 5 plans)	8	3.7
2 . . . . .	0 to 5	4 (47 plans)	69	31.8
2½ . . . . .	0 to 5½	4½ ( 5 plans)	9	4.1
2½ . . . . .	2½ to 5	5 (16 plans)	19	8.8
3 . . . . .	3 to 6	5 ( 7 plans)	26	12.0
4 . . . . .	4	4 ( 5 plans)	5	2.3
Above 4 . . . .	0 to 6	5 ( 3 plans)	7	3.2
Other . . . . .	- - - -	- - - - -	<u>40</u>	<u>18.4</u>
TOTAL			217	100.0

Note: a. Source: Analysis of Recent Group Annuities Supplementing Benefits under Old Age and Survivors Insurance, (Washington, D.C.: Social Security Administration).

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Amount of cash received from sales		Amount of cash received from other sources		Total cash received	
Month	Year	Month	Year	Month	Year
Jan	1912	Jan	1912	Jan	1912
Feb	1912	Feb	1912	Feb	1912
Mar	1912	Mar	1912	Mar	1912
Apr	1912	Apr	1912	Apr	1912
May	1912	May	1912	May	1912
Jun	1912	Jun	1912	Jun	1912
Jul	1912	Jul	1912	Jul	1912
Aug	1912	Aug	1912	Aug	1912
Sep	1912	Sep	1912	Sep	1912
Oct	1912	Oct	1912	Oct	1912
Nov	1912	Nov	1912	Nov	1912
Dec	1912	Dec	1912	Dec	1912
Total		Total		Total	

1. The first part of the report is a general statement of the purpose of the study and the objectives to be achieved. This is followed by a brief review of the literature on the subject, and then a description of the methods used in the study. The results of the study are then presented, and finally, a conclusion is drawn from the findings.



## CHAPTER IV

## VESTING

Defined.

Vesting is the transfer to the employee, prior to normal retirement, of title to the amount of money paid into the retirement fund on his account by the employer. It is the interest that the employee acquires in the employer's contributions when his employment is terminated prior to normal retirement. It should be noted that vesting has no reference to employee contributions in a contributory plan. In most modern retirement plans the contributions of the employee are returnable to him, with or without interest, upon termination of service prior to normal retirement.

Immediate vesting refers to the transfer to the employee of right or title to employer contributions (not necessarily all) immediately upon entrance into the retirement system. Deferred vesting refers to the delayed transfer of this right until certain minimum qualifications (as attainment of certain age or length of service) have been met.

Full vesting refers to employee's gaining title to all of the employer's contributions at one time. Graded or partial vesting refers to his gaining title gradually to employer contributions.

For example:

In a system where an employee accumulates no title to employer contributions prior to normal retirement, there would be no

# ARTICLE IV

## CHAPTER I

### Section 1

Nothing in this chapter shall be construed to limit the right of the employer to make such changes in the organization of his business as he may deem wise. It is the purpose of this chapter to provide for the orderly and systematic transfer of the business of the employer to the employee in the event of his death or disability. It shall be the duty of the employer to provide for the orderly and systematic transfer of the business of the employer to the employee in the event of his death or disability. It shall be the duty of the employer to provide for the orderly and systematic transfer of the business of the employer to the employee in the event of his death or disability.

The purpose of this chapter is to provide for the orderly and systematic transfer of the business of the employer to the employee in the event of his death or disability. It shall be the duty of the employer to provide for the orderly and systematic transfer of the business of the employer to the employee in the event of his death or disability. It shall be the duty of the employer to provide for the orderly and systematic transfer of the business of the employer to the employee in the event of his death or disability.

All property owned by the employer shall be transferred to the employee in the event of his death or disability. It shall be the duty of the employer to provide for the orderly and systematic transfer of the business of the employer to the employee in the event of his death or disability. It shall be the duty of the employer to provide for the orderly and systematic transfer of the business of the employer to the employee in the event of his death or disability.

In a system where the employee is the owner of the business, there shall be no transfer of the business to the employee in the event of his death or disability.

vesting.

In a system where he gains title to fifty per cent of the contributions after ten years service, and an additional five per cent for each year of service (making twenty years to gain full title), there would be deferred graded vesting.

In the example above, if the employee commenced gaining title to contributions as soon as he entered the retirement system, there would be immediate graded vesting.

If the employee gained title to the full amount after ten years of service, but no title prior to that time, there would be deferred full vesting.

If he gained title to the full amount immediately upon entering the system, there would be immediate full vesting.

Vesting should be distinguished from "early retirement" which involves the retirement of an employee at a time (usually specified in the plan) prior to reaching the normal retirement point, and incident to which the employee immediately commences receiving scheduled benefits but at a reduced rate.

#### Considerations in vesting.

The question of vesting is closely related to the theory of deferred wages (retirement benefits are part of employee compensation, payment of which is deferred) discussed in the previous chapter. On a basis of deferred wages, regardless of the reason for or the time of (beyond a minimum) termination of employment, the employer contributions represent the employee's money and he has every right to title to the



In a system of this kind, the only way of  
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and the addition of service (which is not to be  
there would be a large number of

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# Organization of the system

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amount accumulated in his behalf. This is the reasoning of labor and many neutral writers. On the other hand, the employer who will not accept the theory of deferred wages is loath to accept the vesting principle.

Vesting may be recognized in one of two ways: by cash return to the employee upon separation, or by leaving the amount concerned in the retirement fund with the granting of benefits being delayed until the employee reaches normal retirement age, or until some time close to that age. Where vesting occurs, the employer normally prefers to employ the latter method in order to discourage employees from leaving the company in order to gain immediate cash benefits.

It will be recalled that one of the employer's principal purposes in having a retirement system is to gain permanency of personnel, reduce turnover, "hold the employees". In order to accomplish this, it is in his interest to minimize vesting. On the other hand, employees of course prefer maximum vesting. Vesting as practiced, is then a "compromise between the employee's wishes and the employer's purposes and budget."<sup>1</sup>

Vesting is important to the solution of the question of transferability (mobility of labor), whether the employee transfers his place of employment voluntarily or because of discharge.

Vesting is important to the security of the employee and his dependents, for whatever reason early termination of employment may take place. It follows that vesting is important to interests of society as a whole.





The adoption of vesting, or an increase in the liberality of vesting provisions, will increase the costs of a retirement system. Vesting must be paid for out of increased contributions, or by a decrease in benefits to those who are separated under normal retirement conditions.

Vesting in a contributory retirement system is normally contingent on the employee leaving his contributions in the retirement system at time of separation.

#### Vesting in Business and Industry.

Very few of the early retirement systems in business and industry made provision for vesting. However, in modern plans vesting is the rule rather than the exception. It is surprising to note that, although labor organizations have emphasized the importance of gaining vesting privileges in negotiating pensions,<sup>2</sup> many recently negotiated pension plans do not make provision for vesting. Under the Ford plan, unless an employee is in the service of the company until age sixty-five (or age sixty with thirty years service for early retirement; age fifty-five with thirty years service for total disability), he loses all title to retirement benefits. Except for Inland Steel Company's optional retirement plan, recent plans in the steel industry provide no benefits to the employee for other than normal and disability retirement.<sup>3</sup> However, although these plans cover large groups of employees, it cannot be said that they are representative of practice in business and industry.

Table III shows the distribution of 6,862 plans in broad



categories of vesting provisions. Immediate full vesting is provided for in only a small percentage of plans (fifteen per cent) covering a smaller percentage (three per cent) of employees. Some vesting is provided for in seventy-one per cent of the plans, but covering only forty-one per cent of the employees. There is no vesting whatsoever for fifty-six per cent of the employees.

Table IV shows the full vesting requirements in the Bankers Trust analysis of plans adopted or amended in the period 1943-1947. As is typical of vesting provisions, there are various requirements which may be used to limit employee qualification for vesting, the principal ones being age, service, participation in the retirement system, and combinations of these. About one-fourth of the plans provide for no vesting at all prior to normal retirement; twenty per cent relate vesting to service; 13½ per cent relate it to age, and thirty-five per cent to a combination of age and service. Where vesting is related to service, the majority of plans require fifteen years or less service for full vesting. Where it is related to age, the median is at about age fifty-five; where it is related to age and service, the typical age is fifty-five with ten to twenty years service required.

In general, employees do not become participants in a retirement system immediately upon entering the employ of a company, a factor that is important in determining the time at which he begins accruing benefits. This limitation on eligibility is usually set in order to reduce administrative costs in handling the accounts of the young-new employee group, which has a high rate of turnover. Table V



percentage of voting provisions. In addition, this section is intended  
 for in this a small percentage of cases (between one and two) where a  
 small percentage (from one and two) of employees. These sections are in-  
 vited for in every-one but one of the cases, and covering only three  
 one per cent of the employees. There is no voting provision for

115-115 per cent of the employees.

Table 11 shows the full voting provisions in the  
 various cases and also the cases which are included in the section 115-  
 115. It is typical of voting provisions, that the voting provisions

made which are in cases to limit employee participation in voting, the

principal ones being the, however, participation in the voting

system, and conditions of these. It is also found in the cases

provisions for the voting of all cases so that the voting is only for

one or two cases to voting; 115 per cent which is in one, and

115-115 per cent is a condition of one and two. These voting

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In general, however, the cases are not provided in a

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referred to in the cases which are in one or two, and

order to reduce administrative costs in the cases which are in one or two

which are referred to in the cases which are in one or two. Table 1

shows the eligibility requirement in the Bankers Trust survey plans. Almost one-half of the plans have no age requirement. The service requirement average is 2.7 years.

Table VI shows the eligibility requirements for 368 group annuity plans (eight plans with miscellaneous requirements not included) in the Social Security Administration survey. The service requirement averages out at 2.7 years, the same as in the Bankers Trust survey data.

Table VII contains an analysis of data derived from the Social Security Administration survey of group annuity plans. Here provisions are compiled separately for deferred full vesting (vesting is complete at a specified time, no vesting prior to that time) in Table VI-A, and for deferred graded vesting (vesting begins at a certain time after employment and the percentage vested increases thereafter until complete vesting is reached) in Table VI-B. It will be noted that in this data distinction is made between service requirement and participation in the retirement system. The tabulated data does not indicate age requirements but where they apply it is so indicated at column headings. Where both service and participation are factors, service, being the greater, is entered in the table. Of a total of 376 plans, 349 (93 per cent) provide for vesting and 27 (7 per cent) do not provide for vesting. Among the 349 plans 289 adapt themselves to analysis which produces the following summary data: 222 (77 per cent) have deferred full vesting at an average total length of service of twelve years (where applicable, participation has been corrected by addition of 2.7 years average service required prior to participation); 67 plans





(23 per cent) have graded vesting beginning at an average of approximately  $8\frac{1}{2}$  years and completing at an average of about  $14\frac{1}{2}$  years.

#### Vesting in the armed forces.

Prior to twenty years service, there is no vesting as such in the armed forces. As a matter of fact, except for disability and forced retirement, it cannot be said that personnel have any right to benefits. Enlisted personnel who do not complete twenty years service or are discharged as a result of court-martial lose all equity in the retirement system. The same is true of officers who resign or are dismissed as a result of court-martial. Personnel in these groups suffer a complete loss of deferred compensation. Officers who are forced out because of failure of selection prior to twenty years of service are allowed severance pay on a basis of two months base pay for each year of service, to a maximum of two years base pay (see Chapter VII). This severance pay may be considered, to a degree, a return of deferred wages. However, it is at least in part a payment of the cost of transition from military to civilian life. It should be noted that personnel of the armed forces are not eligible for participation in benefits under the Social Security Act.

In the interests of the personnel, of their dependents, and of society, there is strong justification for adoption of reasonable vesting provisions for: enlisted personnel not completing twenty years service, all personnel who are dismissed, officer personnel who resign at any time, and officer personnel forced to leave the service because of non-promotion in the first twenty years of service. In severance



pay, a distinction should be made between amounts intended to finance the changeover to a new way of life, and amounts intended as return of deferred wages. In appreciation of the vital importance of stability in the armed forces, hence the importance of discouraging separations influenced by a desire to obtain immediate cash benefits, when applicable payment of accrued benefits in the retirement system should be deferred. Particularly in the case of enlisted personnel, it may be found that many, who will not serve a full twenty years, will remain in the service for more than a single enlistment if some form of vesting is adopted. In a study conducted in 1947, it was found that only twelve per cent of Army and seven per cent of Navy, enlisted men remain in the service long enough to obtain retirement benefits.<sup>4</sup> Consideration should be given to inclusion of personnel under the provisions of the Social Security Act.



1. The first of these is the fact that the Commission has not yet received any information from the Government of the United States regarding the results of its investigation of the activities of the American Friends Service Committee in the Philippines. It is requested that the Commission be kept advised of any developments in this regard.

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6. The sixth of these is the fact that the Commission has not yet received any information from the Government of the United States regarding the results of its investigation of the activities of the American Friends Service Committee in the Philippines. It is requested that the Commission be kept advised of any developments in this regard.

7. The seventh of these is the fact that the Commission has not yet received any information from the Government of the United States regarding the results of its investigation of the activities of the American Friends Service Committee in the Philippines. It is requested that the Commission be kept advised of any developments in this regard.

8. The eighth of these is the fact that the Commission has not yet received any information from the Government of the United States regarding the results of its investigation of the activities of the American Friends Service Committee in the Philippines. It is requested that the Commission be kept advised of any developments in this regard.

9. The ninth of these is the fact that the Commission has not yet received any information from the Government of the United States regarding the results of its investigation of the activities of the American Friends Service Committee in the Philippines. It is requested that the Commission be kept advised of any developments in this regard.

10. The tenth of these is the fact that the Commission has not yet received any information from the Government of the United States regarding the results of its investigation of the activities of the American Friends Service Committee in the Philippines. It is requested that the Commission be kept advised of any developments in this regard.

TABLE III  
ANALYSIS OF VESTING PROVISIONS  
IN PENSION PLANS PROCESSED BY  
BUREAU OF INTERNAL REVENUE TO AUGUST 1946<sup>a</sup>

	Percentage of plans	(No. of plans)	Percentage of employees	(No. of employees)
Immediate full vesting	15%	(1016)	3%	( 104,339)
Some vesting--but not immediate full	71	(4898)	41	(1,347,484)
No vesting	14	( 948)	56	(1,838,785)
TOTAL	100%	(6862)	100%	(3,290,608)

Note: a. Derived from data contained in Table 4 of "Pension Trust Statistical Tables," Income Tax Unit, Bureau of Internal Revenue, undated.

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Left Column		Right Column	
Top (Left)	Bottom (Left)	Top (Right)	Bottom (Right)
(1984, 1985)	1985	(1984, 1985)	1985
(1984, 1985)	1985	(1984, 1985)	1985
(1984, 1985)	1985	(1984, 1985)	1985
(1984, 1985)	1985	(1984, 1985)	1985

1. The first step in the process of identifying a problem is to define the problem. This involves identifying the symptoms of the problem and determining the scope of the problem. Once the problem has been defined, the next step is to identify the causes of the problem. This involves identifying the factors that are contributing to the problem and determining the underlying causes. Once the causes have been identified, the next step is to develop a plan of action. This involves identifying the steps that need to be taken to solve the problem and determining the resources that will be needed to implement the plan. Finally, the last step in the process is to implement the plan and monitor the results. This involves putting the plan into action and tracking the progress of the solution. Once the problem has been solved, the final step is to evaluate the results and determine if the solution was effective. This involves comparing the results of the solution to the original problem and determining if the problem has been solved. If the problem has not been solved, the process may need to be repeated.



TABLE IV

**FULL VESTING PROVISIONS IN 289 RETIREMENT PLANS  
ANALYZED BY BANKERS TRUST COMPANY, 1948<sup>a</sup>**

Vesting Provisions	Per cent (No. of of plans plans)	Per cent (No. of of plans plans)
No vesting	24½ ( 69)	
Full vesting on completion of a period of service <sup>b</sup>	20 ( 58)	
15 years or less		14½ (41)
20 years or more		6 (17)
Full vesting on attainment of age	13½ ( 39)	
Age 50		½ ( 1)
Age 55		6 (17)
Age 60		7 (21)
Full vesting on completion of service (10-20 yrs) and age <sup>b</sup>	35 (102)	
Age 45 or less		7 (21)
Age 50		4 (11)
Age 55		18 (53)
Age 60		6 (17)
Immediate full vesting	3½ ( 10)	
Vesting only on layoff	2½ ( 7)	
Data incomplete	1½ ( 4)	
TOTAL	100% (289)	

Note: a. Source: 289 Retirement Plans, (New York: Bankers Trust Company, 1948), p. 8.

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Total Available		Total Available		Total Available	
Year	Value	Year	Value	Year	Value
1960	1000	1961	1000	1962	1000
1963	1000	1964	1000	1965	1000
1966	1000	1967	1000	1968	1000
1969	1000	1970	1000	1971	1000
1972	1000	1973	1000	1974	1000
1975	1000	1976	1000	1977	1000
1978	1000	1979	1000	1980	1000
1981	1000	1982	1000	1983	1000
1984	1000	1985	1000	1986	1000
1987	1000	1988	1000	1989	1000
1990	1000	1991	1000	1992	1000
1993	1000	1994	1000	1995	1000
1996	1000	1997	1000	1998	1000
1999	1000	2000	1000	2001	1000
2002	1000	2003	1000	2004	1000
2005	1000	2006	1000	2007	1000
2008	1000	2009	1000	2010	1000
2011	1000	2012	1000	2013	1000
2014	1000	2015	1000	2016	1000
2017	1000	2018	1000	2019	1000
2020	1000	2021	1000	2022	1000
2023	1000	2024	1000	2025	1000
2026	1000	2027	1000	2028	1000
2029	1000	2030	1000	2031	1000
2032	1000	2033	1000	2034	1000
2035	1000	2036	1000	2037	1000
2038	1000	2039	1000	2040	1000
2041	1000	2042	1000	2043	1000
2044	1000	2045	1000	2046	1000
2047	1000	2048	1000	2049	1000
2050	1000	2051	1000	2052	1000
2053	1000	2054	1000	2055	1000
2056	1000	2057	1000	2058	1000
2059	1000	2060	1000	2061	1000
2062	1000	2063	1000	2064	1000
2065	1000	2066	1000	2067	1000
2068	1000	2069	1000	2070	1000
2071	1000	2072	1000	2073	1000
2074	1000	2075	1000	2076	1000
2077	1000	2078	1000	2079	1000
2080	1000	2081	1000	2082	1000
2083	1000	2084	1000	2085	1000
2086	1000	2087	1000	2088	1000
2089	1000	2090	1000	2091	1000
2092	1000	2093	1000	2094	1000
2095	1000	2096	1000	2097	1000
2098	1000	2099	1000	2100	1000

TABLE V  
ELIGIBILITY REQUIREMENTS FOR MEMBERSHIP  
IN 289 RETIREMENT PLANS,  
BANKERS TRUST SURVEY<sup>a</sup>

Service Requirements <sup>c</sup>	Number of Plans by Age Requirements				
	Age 25		Age 30	Age 35 <sup>b</sup>	Total
	None	& under			
None	37	2	4	1	44 (15%)
1 year	34	9	18	8	69 (24%)
2 years	7	2	10	4	23 (8%)
3 years	17	7	10	5	39 (14%)
4 years	1	-	1	-	2
5 years	42	8	37	24	111 (38%)
Special	--	-	1	-	1
TOTAL	138	28	81	42	289
Per cent	48%	10%	28%	14%	

Note: a. Source: 289 Retirement Plans, (New York: Bankers Trust Company, 1948), p. 7.

b. One plan has 40 year age requirement.

c. Average service requirement is 2.7 years.



11/10/1944 and 12/10/1944  
 11/10/1944 and 12/10/1944

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TABLE VI  
ELIGIBILITY REQUIREMENTS FOR MEMBERSHIP  
IN 368 GROUP ANNUITY PLANS,  
SOCIAL SECURITY ADMINISTRATION SURVEY<sup>a</sup>

Service Requirements	Number of Plans by Age Requirements			
	None	Age 25 & under	Age 30	Age 35 Total
None	10		1	11 ( 3%)
1 year or less	87	11	25	6 129 (35%)
2 years	33	7	5	1 46 (12%)
3 years	32	13	13	3 61 (17%)
4 years	2	1	1	1 5 ( 1%)
5 years	65	7	26	18 116 (32%)
TOTAL	229	39	71	29 368
Per cent	62%	11%	19%	8%

Note: a. Source: Analysis of Recent Group Annuities by Social Security Administration, 1948, p. 7.  
b. Average service requirement is 2.7 years.





TABLE VII

VESTING PROVISIONS IN 289 GROUP ANNUITY PLANS  
ANALYZED BY SOCIAL SECURITY ADMINISTRATION<sup>a</sup>

Years	A					B		
	Deferred Full Vesting Takes Place at <sup>c</sup>					Deferred Graded Vesting begins at		
	I	II	III	IV	V	Age & Serv. at Part. b	Age & Serv. at Part. b	TOTAL
	Serv. Part.	Serv. Part.	Serv. Part.	Serv. Part.	Serv. Part.	Age & Serv.	Age & Serv.	TOTAL
1	1	2						3
2	1						1	1
3		2					1	2
5	9	19	4	6			13	31
6							1	1
7	2				1			3
8								0
10	16	13	29	7	4		1	1
11					1		13	29
15	14	3	28	2	12			1
20	10	2	9		7		1	1
25			1		1			2
TOTAL	53	41	71	15	25	17	31	222
Av. Yrs. d	12	8	13	8	15	14	7 <sup>d</sup>	8

Note: a. Derived from data in Analysis of Recent Group Annuities by Social Security Administration, 1948, pp. 54, 55.

b. Service, at the larger figure, is entered.

c. Average service requirement, Col. I, III, V, VI - 13.2 years.

Average participation requirement, Col. II, IV - 8.0 years; corrected for an average service requirement of 2.7 years (Table VII) - 10.7 years service.

Average of the above two figures is very close to 12 years.

d. Vesting completed at 13 years on the average.

e. Vesting completed at 16 years on the average.



## CHAPTER V

## FUNDING

Defined.

Funding refers to the manner of accumulating money for the future payment of retirement benefits.

A self-insured (self-administered or trustee) plan is one in which a retirement trust fund is set up. The services of an actuary are employed for computation of amounts of money that must be accumulated in the fund in order to secure the present costs of benefits which are to be turned over to present employees at some future date. Included in this computation are such factors as mortality and disability in service, life expectancy after retirement, interest rates obtainable on invested funds, number of employees, eligibility provisions, salary scales, vesting provisions, retirement benefit rates, and administrative expenses. Based on these computations, funds are continuously accumulated in sufficient amounts to equal the present value of all future benefit payments. Actuarial computations must be made frequently, for a change in any of the factors noted above will change the funding requirements. A retirement system, which is so funded, is usually administered by a special board which may invest funds directly or through a banking institution.

An insured plan is one in which a contract is made with a private insurance company whereby contributions are paid to that company in return for which the company guarantees payment of benefits under the





provisions of the retirement program. All actuarial computations, clerical and administrative work, and direct payment of benefits are handled by the insurance company. The two most popular types of insured plans are the group annuity plan and the individual annuity plan. The group annuity contract covers a large group of employees, and units of deferred annuity for the group are purchased annually. Individual annuity plans provide for the purchase of policies on an individual basis and are usually used in companies employing small numbers of persons.

An unfunded plan is one in which there is no advance accumulation of money to meet the payment of future benefits. Rather, funds are disbursed annually to meet payments to persons already receiving benefits or expected to commence receiving benefits in the given year. This is also referred to as the cash-disbursement or pay-as-you-go method.

A partially funded plan is one in which some reserves are accumulated in advance, but not in sufficient amounts to anticipate the full cost of future benefits.

### Considerations.

Perhaps the most important reason for the use of funding is the protection of the future benefits of the employee, an insurance against deferred compensation becoming cancelled compensation. Unless the benefits promised the employee are protected by cash reserves, there is danger that a change in business conditions, general or local, will wipe out the security on which the employee and his dependents have been counting. Among government plans, unless funding is employed, there is danger that the axe of economy will fall on appropriations for the payment of retirement benefits, particularly in depression times.





In its report, the President's steel fact-finding board included the following statement:<sup>1</sup>

Social insurance and pensions should be considered a part of normal business costs to take care of temporary and permanent depreciation in the human "machine" in much the same way as provision is made for depreciation and insurance of plant and machinery. This obligation should be among the first charges on revenues.

The above treats retirement benefits as present costs, much as payment for wear and tear on plant equipment is considered a factor in present costs. A retirement fund, in this sense, is a depreciation reserve. In a funded retirement system, the costs are charged against the present generation, consumers or taxpayers, who receive the services; they are not charged against future generations who receive no services from retired personnel.

Another advantage in funding is the psychological and physical limit it places on the present generation's promising extravagant benefits to present employees to be paid later on. Funding is more likely to result in an intelligent approach to the granting of benefits. Meriam, upholding the use of funded plans, speaks of unfunded (cash disbursement) plans as having the "pleasing simplicity of a charge account",<sup>2</sup> one which, it might be added, will necessarily be paid by one's children and grandchildren. As an example, the pension costs of the war of 1812 were not completely paid off until 1945.

#### Fraction.

In the early history of industrial retirement systems there were frequent cases of unfunded plans, and even today a large number of



recent union-negotiated pension plans make no mention of funding.<sup>3</sup> However, there are few cases of unfunded plans among modern retirement systems. Table VIII indicates the degree to which funding is used among a large portion of retirement systems. Among the more than seven thousand plans reviewed, only eleven are identified as being unfunded. Bureau of Internal Revenue requirements as to pension plans under which employer contributions may enjoy income tax exemption, has been an important factor in the widespread adoption of funding.

The retirement systems of the armed forces are entirely unfunded. Annual appropriations are made by Congress to cover each year's payment of benefits. Payment to retired personnel is made directly from department appropriations, except in the case of the reserve components of the Army (and Air Force) who are paid from Veteran's Administration appropriations.

#### Use of funding in the armed forces.

The Hook Commission finds no justification for use of a funded system in the armed forces.<sup>4</sup> Its principal arguments rest on (1) the taxing power of the government, which precludes the need for funding and (2) the impracticability of making the actuarial computations necessary to a fully funded system.

It is granted that the taxing and borrowing power of the government allows the use of a cash-disbursement system, with all its simplicity. However as noted above, use of such a system should be recognized as in the nature of paying off a "charge account" for services rendered twenty or more years ago. Further, the future



These are the main points of the report of the Commission on the subject of the proposed amendments to the Constitution. The Commission has found that the proposed amendments are in general in line with the principles of the Constitution, but that there are certain points which require further consideration. The Commission has also found that the proposed amendments are in general in line with the principles of the Constitution, but that there are certain points which require further consideration.

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#### 2. The Commission's findings on the proposed amendments.

The Commission has found that the proposed amendments are in general in line with the principles of the Constitution, but that there are certain points which require further consideration. The Commission has also found that the proposed amendments are in general in line with the principles of the Constitution, but that there are certain points which require further consideration.

It is further found that the Commission has found that the proposed amendments are in general in line with the principles of the Constitution, but that there are certain points which require further consideration. The Commission has also found that the proposed amendments are in general in line with the principles of the Constitution, but that there are certain points which require further consideration.

security of personnel rests with taxpayers and legislators whose attitudes toward retirement appropriations cannot with surety be foreseen.

The difficulty of actuarial computation is a more cogent argument against funding armed forces retirement systems. Changes in legislation, unpredictable variations in the size of the defense establishment, unforeseen wars with unknown numbers of deaths and disability cases preclude accurate actuarial calculations. The shifting payroll base of the services over a period of eighteen years (Table IX) indicates the degree to which sizes of the armed forces and of retirement lists cannot be predicted.

The impracticability of complete funding does not prevent the use of partial funding, from which the advantages of funding may be realized to a large degree. Relevant to this point is the fact that among the various government retirement systems there is no funding in any of the non-contributory plans, whereas there is at least partial funding in all the contributory systems. Funding, contributory systems, vesting, security and sound business principles all appear to be inter-related. The adoption of a partially funded retirement system for the armed forces is deserving of careful consideration.





TABLE VIII  
FUNDING IN THREE RETIREMENT SYSTEM SURVEYS

	Bureau of Internal Revenue <sup>a</sup>		Bankers Trust <sup>b</sup>	O'Neill <sup>c</sup>
	% (Plans)	\$(Employees)	\$(Plans)	\$(Plans)
Insured -				
individual	60% (4,144)	6% ( 203,395)	4% ( 12)	25% (152)
Insured - group	21 (1,476)	27 ( 889,184)	31 ( 90)	51 (313)
Self-insured	10 ( 658)	58 (1,908,111)	51 (147)	20 (121)
Other or unidentified	9 ( 584)	9 ( 289,918)	10 ( 29)	4 ( 26)
Unfunded	0 ( 0)	0 ( 0)	4 ( 11)	0 ( 0)
TOTAL	100% (6,862)	100% (3,290,608)	100% (289)	100% (612)

Note: a. Source: "Pension Trust Statistical Tables," Income Tax Unit, Bureau of Internal Revenue, undated, Table IV.  
b. Source: 289 Retirement Plans, (New York: Bankers Trust Company, 1948), p. 12.  
c. Source: Hugh O'Neill, Modern Pension Plans, (New York: Prentice-Hall, Inc., 1947), p. 253-255.



TABLE IX

APPROPRIATIONS FOR PAY AND ALLOWANCES  
FOR ACTIVE AND RETIRED PERSONNEL  
AND PERCENTAGE RELATIONSHIPS<sup>a</sup>

Fiscal Year	Army and Air Force			Navy		
	Active (000)	Retired (000)	Retired as per cent of active	Active (000)	Retired (000)	Retired as per cent of active
1930	\$ 113,759	\$20,110	17.7	\$ 113,645	\$ 7,571	6.7
1931	113,739	20,391	17.9	115,400	7,455	6.5
1932	115,754	20,944	18.1	113,558	9,177	8.1
1933	106,389	20,256	19.0	110,905	10,220	9.2
1934	96,187	19,345	20.1	104,116	11,084	10.6
1935	109,439	23,444	21.4	98,938	10,636	10.7
1936	121,548	24,716	20.3	120,898	13,767	11.4
1937	130,499	25,802	19.8	130,905	15,189	11.6
1938	135,364	25,915	19.1	127,703	16,600	13.0
1939	139,012	26,775	19.3	143,320	18,014	12.6
1940	164,225	27,280	16.6	164,165	20,171	12.3
1941	526,824	28,223	5.4	208,196	21,333	10.2
1942	1,743,591	26,219	1.5	238,127	33,997	14.3
1943	6,423,902	29,765	.5	1,848,098	13,248	.7
1944	9,796,868	37,339	.4	3,715,042	15,834	.4
1945	12,323,148	37,000	.3	5,168,656	20,252	.4
1946	7,919,127	41,750	.5	4,055,534	38,938	1.0
1947	2,643,191	62,155	2.4	1,293,346	69,251	5.4
1948	1,981,630	80,204	4.0	945,567	103,157	10.9

Note: a. Source: Career Compensation for the Armed Forces, (Washington, D.C.: Government Printing Office, 1948), Appendix I, p. 195.



TABLE 1

Estimated and Actual Values of the  
 Total Value of the Output of the  
 Manufacturing Industries

Year	Estimated Value		Actual Value	
	(000)	(000)	(000)	(000)
1920	12,777	12,777	12,777	12,777
1921	12,777	12,777	12,777	12,777
1922	12,777	12,777	12,777	12,777
1923	12,777	12,777	12,777	12,777
1924	12,777	12,777	12,777	12,777
1925	12,777	12,777	12,777	12,777
1926	12,777	12,777	12,777	12,777
1927	12,777	12,777	12,777	12,777
1928	12,777	12,777	12,777	12,777
1929	12,777	12,777	12,777	12,777
1930	12,777	12,777	12,777	12,777
1931	12,777	12,777	12,777	12,777
1932	12,777	12,777	12,777	12,777
1933	12,777	12,777	12,777	12,777
1934	12,777	12,777	12,777	12,777
1935	12,777	12,777	12,777	12,777
1936	12,777	12,777	12,777	12,777
1937	12,777	12,777	12,777	12,777
1938	12,777	12,777	12,777	12,777
1939	12,777	12,777	12,777	12,777
1940	12,777	12,777	12,777	12,777
1941	12,777	12,777	12,777	12,777
1942	12,777	12,777	12,777	12,777
1943	12,777	12,777	12,777	12,777
1944	12,777	12,777	12,777	12,777
1945	12,777	12,777	12,777	12,777
1946	12,777	12,777	12,777	12,777
1947	12,777	12,777	12,777	12,777
1948	12,777	12,777	12,777	12,777
1949	12,777	12,777	12,777	12,777
1950	12,777	12,777	12,777	12,777

Notes: 1. The values are estimated from the data of the Bureau of Economic Analysis, Washington, D. C.

## CHAPTER VI

## SUPERANNUATION RETIREMENT

Purpose.

Both in civilian organizations and the defense establishment, the outstanding purpose of superannuation retirement, from the viewpoint of the organization, is the elimination of those who, because of declining mental or physical performances, cannot operate at normal efficiency and whose continued employment would lower the productivity of their organization. Another purpose, from the viewpoint of the individuals concerned, in retirement for age is to give human beings an opportunity to devote their closing years to private activities of which they have been deprived because of the nature of their occupation. This latter purpose is especially significant in the case of members of the armed forces and other organizations whose duties involve a relatively high percentage of time away from their families, and frequent change of locale. The prospect of comfortable and secure retirement is an important element in the total satisfaction of their careers.

Considerations in setting the age.

With the advance of age, physical performance declines more rapidly than does mental performance. However, in most physical occupations, as the age of the employee increases employees move into supervisory and indoor positions that require a lower level of physical stamina. For this reason, it is found that there is usually no distinction made between the two categories in setting the retirement age in

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business and industry. Retirement plans here provide for one normal retirement age without respect to the type of activity involved in the occupation.

In dealing with the problem of superannuation in the armed forces it is important to think in terms of the ultimate role of the organization, which is that of waging war. On a peacetime basis, it is probable that the needs of the armed forces are no more critical than in business and industry. However, unless the defense establishment structures its personnel requirements on a basis of wartime conditions, it will find itself ill-prepared for the rapid personnel expansion and the operations which are imperative to the successful prosecution of war. The organization must be built around personnel capable of highly sustained performance in combat conditions. This requirement might be likened to that demanded of the city fireman whose routine duties may not be very exacting, but who nevertheless must have the ability to fight fire successfully whenever he may be called upon to do so.

The duties of enlisted personnel in the armed forces involve considerably more physical exertion than do the duties of officer personnel. Granted that as an enlisted man rises in rank he takes on more supervisory duties, but throughout his career there is constant demand for a high level of bodily effort and in extended wartime operations this demand is a critical one. In the case of officer personnel, there is more room for adaption to the physical decline because of the reduced physical requirements in the senior ranks as compared with those in the junior ranks. For these reasons, the use of



separate superannuation retirement ages for the two groups is justified.

At what points in the decline of physical and/or mental performance should the retirement age be established? Unfortunately these points do not adapt themselves to precise definition. For one reason there is a lack of instruments capable of accurate measurement of the qualities concerned. Also there is a wide variability among individuals in the aging process; some few maintain a vigorous level of mental performance to the age of eighty, others fall off rapidly in their sixties. Lastly, there is wide variation in the requirements among the many occupations. The establishment of the superannuation age, then, is based largely on empirical factors, a recognition of the advantage of standardization, and, to some degree, on "public opinion."

Meriam suggests a variety of conditions that might be used in setting the retirement age: in the discretion of the employer, at the option of the employee, upon the reaching of a chronological age and/or upon the completion of a set length of service, and at some time between an optional minimum age and an arbitrary compulsory age.<sup>1</sup>

A long range factor in the retirement problem that has serious economic implications is the growing life span which is resulting in an increase in the proportion of population in the higher age group. For those aged sixty-five or over, in 1950 it is estimated that the proportion is 7.4 per cent. Estimates for subsequent periods are: 1960 at 8.2 to 9.1 per cent, 1980 at 8.8 to 12.2 per cent, and 2000 at 8.4 to 15.3 per cent.<sup>2</sup> Slichter and Baruch urge the raising of retirement ages to meet this increase in life span.<sup>3</sup> However, in connection



The first of these is the fact that the population of the United States is increasing at a rapid rate. This is due to a number of factors, including immigration, a high birth rate, and a low death rate. The second factor is the fact that the population is becoming more urbanized. This is due to the fact that people are moving from rural areas to cities in search of better living conditions and economic opportunities. The third factor is the fact that the population is becoming more educated. This is due to the fact that more people are attending school and obtaining higher levels of education.

with this recommendation, consideration must be given to the effect on the overall unemployment picture of increasing the labor force.

#### Present practice.

##### Business and industry.

In business and industry, the age of sixty-five is used to fix retirement in all but a few cases. This age is used in 97 per cent of the plans in the Bankers Trust survey, in 97 per cent of those in the Social Security Administration group annuity survey, and in 95 per cent of those in the O'Neill survey.<sup>4</sup> Some plans, in addition to fixing an age requirement, include a minimum service requirement. For instance of the 612 plans in the O'Neill survey, twenty plans (about 3 per cent) prescribe minimum lengths of service, usually fifteen to twenty years.<sup>5</sup> Recently negotiated plans in the steel industry prescribe a minimum of fifteen years service.<sup>6</sup> Some plans make provision for continued service after normal retirement age, but usually only with company consent. In a 1948 survey conducted by the National Industrial Conference Board, it was found that in seven out of ten companies retirement was compulsory, and that such provisions were generally acceptable to employees.<sup>7</sup> However, the American Federation of Labor has recently advised its union negotiators that rigid compulsory retirement provisions should be resisted.<sup>8</sup>

##### Armed forces.

In the armed forces, a mandatory age of sixty-two years is set for officer personnel of the Army and Air Force of the ranks





of Brigadier General and below (sixty-four years for higher rank generals). For naval officers, the age is sixty-two for all ranks, except that the President may defer the retirement of not more than ten officers at a time to age sixty-four. It may be said that these mandatory age provisions apply only to the general/admiral ranks since forced attrition under the promotion laws will eliminate those not attaining to top rank prior to superannuation age. On a comparison basis, then, retirement for superannuation in the case of officers runs about three years younger than in business and industry. This differential is considered warranted in view of the critical conditions under which top-rank officers must be expected to operate in wartime.

For enlisted personnel, there is no mandatory age for retirement. However, provision is made for "voluntary" enlisted retirement after twenty years service or after thirty years service. The thirty year provision will be discussed in this chapter since, of the two, it most closely approximates superannuation retirement. (However, enlisted personnel seldom remain on active duty to this length of time because of the availability of retirement at twenty years service--to be discussed in Chapter VIII). The enlisted man, at thirty year retirement, would be at an age of about fifty years, some fifteen years junior to his retiring running mate in business and industry. A retirement age of fifty, in the case of the enlisted man, nevertheless seems reasonable. The enlisted man, even after attainment of senior non-commissioned grade, is expected to perform duties requiring a high degree of physical stamina. Especially under battle conditions, his duties are



such that he must be able to keep up with the youngster in field or sea-going operations. For the period between the time of assumed retirement at age fifty and that of normal civilian retirement at age sixty-five, consideration might be given to providing the enlisted man with employment in another branch of the government service (as was traditional in Germany, for instance) and deferring payment of benefits. In England, certain positions in the civil service are reserved for retired non-commissioned officers.<sup>9</sup> However, it is to be expected that objections might be raised to adopting such a procedure in the United States civil service on grounds that it would interfere with career service in the non-military branches.

#### Considerations in setting the amount of benefit.

The amount of the benefit should be such that the employee and his dependents are provided minimum subsistence at the very least. Beyond that, insofar as practicable, the benefit should recognize the standard of living of the employee and his dependents.

Because the benefit is deferred compensation, it appears reasonable that it should bear some relation to the compensation of the employee during his period of service. In establishing this relation, a percentage rate appeals to the sense of fairness of the employee and adapts itself to computational methods. The amount of compensation can be derived from a summation of all compensation received while in service, or from the multiplication of the average annual compensation by the number of years of service. More simply, the pay rate at time of retirement, or in the last few years of service, can be used as a base.





This latter procedure is adaptable only to salaried employees and even there gives rise to many objections unless all employees progress uniformly up the pay ladder throughout service. It does, however, better recognize the economic conditions, and the price index at the time of retirement. For instance, an employee who retires at a time when the cost of living has recently risen, or is rising, will suffer less from the decrease in purchasing value of the dollar if his benefit is related to his final pay rate than if it were related to his average pay rate. Going one step farther, retirement benefits might be tied in with the national price index. It is appreciated that these latter suggestions are generally not in line with sound funding principles, since funding methods cannot anticipate changes in rates of compensation or the cost of living.

### Practice.

#### Business and industry.

Retirement benefit formulae in business and industry predominantly provide for a percentage relation to compensation. Of the 289 plans in the Bankers Trust survey, 280 provide for such a relation. Of these 280 plans 208 (74 per cent) consider the compensation throughout the period of service (a per cent figure times average annual compensation times number of years of service is the most common formula), while 72 plans (26 per cent) consider the compensation in final years of service.<sup>10</sup> Of the 612 plans in the O'Neill survey, 377 plans (46 per cent) apply a percentage rate to compensation times years of service, 66 (10 per cent) are money purchase plans in





which the benefit amounts to whatever annuity agreed contributions will buy from year to year.<sup>11</sup> It is common to find a different percentage formula for earnings up to \$3,000 (the maximum annual amount recognized by Social Security) from that applied to amounts above \$3,000. Even within these two groups there are widely variant formulae used. For instance, among 311 group annuity plans surveyed by the Social Security Administration, there are 17 different percentage figures used below \$3,000 and 19 used above (Table XI).

A summary of the benefits (with Social Security included) in the Bankers Trust survey is shown in Table X. Benefits are expressed as percentages of average monthly compensation, in four different pay categories, with thirty years participation used as a "common denominator" in developing the comparison. Minimum and maximum benefit rates of all the plans and computed median benefit percentages are shown in the lower part of the same table. Median benefit percentages are 59, 45, 43 and 42 for average monthly compensations of 100, 250, 417 and 1250 dollars respectively. It is noted that benefit rates are highest for the lower paid employees. The computation of average benefit rates per year of service in 311 group annuity plans is shown in Table XI. Here separate percentages are shown for the first \$250 of monthly compensation (0.85 per cent) and for amounts in excess of \$250 (1.43 per cent). After correcting the first \$250 compensation rate to include Social Security benefits, on a thirty year base, the percentages are 55, 50 and 45 per cent for average monthly compensation of 250, 417 and 1250 dollars respectively.

1. The first group of patients (Group I) consisted of 100 patients who had been treated with the standard therapy for a period of 10 years. The second group (Group II) consisted of 100 patients who had been treated with the standard therapy for a period of 5 years. The third group (Group III) consisted of 100 patients who had been treated with the standard therapy for a period of 1 year. The fourth group (Group IV) consisted of 100 patients who had been treated with the standard therapy for a period of 6 months. The fifth group (Group V) consisted of 100 patients who had been treated with the standard therapy for a period of 3 months. The sixth group (Group VI) consisted of 100 patients who had been treated with the standard therapy for a period of 1 month. The seventh group (Group VII) consisted of 100 patients who had been treated with the standard therapy for a period of 2 weeks. The eighth group (Group VIII) consisted of 100 patients who had been treated with the standard therapy for a period of 1 week. The ninth group (Group IX) consisted of 100 patients who had been treated with the standard therapy for a period of 3 days. The tenth group (Group X) consisted of 100 patients who had been treated with the standard therapy for a period of 1 day.

### Armed forces.

Retired pay in the armed forces is at a rate of  $2\frac{1}{2}$  per cent per year of service applied to final basic pay, with a maximum of 75 per cent. The retired pay data for a Rear Admiral (upper half) with forty years service and a chief petty officer with thirty years service are developed in Table XII and percentages have been corrected to a relation with average compensation. At first glance (Line D), it appears that both enjoy extremely high benefit rates (128 per cent and 106 per cent). When allowances are included as part of compensation in the computation, the percentages are 101 and 76 respectively (Line F). However, when retired pay percentages are related to average pay of civilians with comparable duties, the benefit rates fall to 45 per cent for the Rear Admiral and 79 per cent for the chief petty officer (Line J).

### Comparison.

Comparing the last-named percentages with those derived from the Bankers Trust and Social Security Administration surveys, it appears that the benefit rate of the Rear Admiral is about the same as that of the comparable civilian for thirty years service, 45 per cent versus 44 per cent, while the chief petty officer enjoys a considerable advantage, 79 per cent versus 50 per cent (Line J vs. Lines K and L). For forty years service, the Rear Admiral appears at a considerable disadvantage to his civilian counterpart, 45 per cent versus 57 per cent (Line J vs. Lines M and N).

It is to be noted that many civilian plans place a



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limitation on the amount of retirement benefit that high salaried employees may receive, a factor that bears on the interpretation of results of this comparison. Maximum benefit data from the Bankers Trust survey are contained in Table XIII. It is also noted that the Hook Commission in 1948 recommended salaries, for high ranking officers, which fell considerably below salaries of comparable civilians. However, the Commission felt that civilian salaries were at a peak and that a comparatively greater number of officer personnel could reach the top in the armed forces than could civilians in business and industry.

[illegible]



TABLE X

RETIREMENT BENEFITS EXPRESSED AS PERCENTAGE OF AVERAGE  
MONTHLY COMPENSATION IN 266 PLANS,  
BANKERS TRUST SURVEY<sup>a</sup>

Pension including Social Security as Percentage of Average Compensation (30 years service)	Percentage of 289 Plans in each Benefit category <sup>b</sup>			
	Average Monthly Compensation			
	\$100	\$250	\$417	\$1250
Under 35%	3.9%	5.5%	12.9%	35.2%
35% to 40%		7.0	9.0	6.2
40% to 45%	2.0	37.5	41.4	23.8
45% to 50%	15.6	10.2	18.8	20.3
50% to 55%	9.4	32.8	11.7	3.9
55% to 60%	26.2	2.7	3.5	9.0
60% to 65%	31.6	2.3	1.5	0.8
65% and over	11.3	2.0	1.2	0.8
	100%	100%	100%	100%

	Benefit expressed as Percentage of Average Monthly Compensation <sup>b</sup>			
	\$100	\$250	\$417	\$1250
Minimum	33%	27%	23%	10%
Maximum	112	76	68	68
Approximate Median (30 yrs)	59	45	43	42
Median per cent per year	2.0	1.5	1.4	1.4
40 yrs x " " " "	80	60	56	56
31 yrs x " " " "	62	47	43	43
26 yrs x " " " "	52	39	36	36
21 yrs x " " " "	42	32	29	29
20 yrs x " " " "	40	30	28	28

Note: a. Source: 289 Retirement Plans, (New York: Bankers Trust Company, 1948), p. 10. Original table lists average annual compensation. Thirty-three plans, covering only employee earnings over \$3,000 per year, not included.

b. Data derived from data above and from other data contained in Bankers Trust survey.

c. Minimum benefit percentage in plan concerned (no less than this percentage benefit is paid at this pay level).

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BUREAU OF PLANT INDUSTRY  
WASHINGTON, D. C.

Percentage of the crop in each				Percent of the crop in each
of the crop in each				
1900	1901	1902	1903	1904
100	100	100	100	100
95	95	95	95	95
90	90	90	90	90
85	85	85	85	85
80	80	80	80	80
75	75	75	75	75
70	70	70	70	70
65	65	65	65	65
60	60	60	60	60
55	55	55	55	55
50	50	50	50	50
45	45	45	45	45
40	40	40	40	40
35	35	35	35	35
30	30	30	30	30
25	25	25	25	25
20	20	20	20	20
15	15	15	15	15
10	10	10	10	10
5	5	5	5	5
0	0	0	0	0

Percentage of the crop in each					Percent of the crop in each
of the crop in each					
1900	1901	1902	1903	1904	
100	100	100	100	100	
95	95	95	95	95	
90	90	90	90	90	
85	85	85	85	85	
80	80	80	80	80	
75	75	75	75	75	
70	70	70	70	70	
65	65	65	65	65	
60	60	60	60	60	
55	55	55	55	55	
50	50	50	50	50	
45	45	45	45	45	
40	40	40	40	40	
35	35	35	35	35	
30	30	30	30	30	
25	25	25	25	25	
20	20	20	20	20	
15	15	15	15	15	
10	10	10	10	10	
5	5	5	5	5	
0	0	0	0	0	

Notes: a. Shows the percentage of the crop in each of the following classes: 1. 100 per cent, 2. 95 per cent, 3. 90 per cent, 4. 85 per cent, 5. 80 per cent, 6. 75 per cent, 7. 70 per cent, 8. 65 per cent, 9. 60 per cent, 10. 55 per cent, 11. 50 per cent, 12. 45 per cent, 13. 40 per cent, 14. 35 per cent, 15. 30 per cent, 16. 25 per cent, 17. 20 per cent, 18. 15 per cent, 19. 10 per cent, 20. 5 per cent, 21. 0 per cent.

TABLE XI

RETIREMENT BENEFITS EXPRESSED AS PERCENTAGE OF AVERAGE  
MONTHLY COMPENSATION DERIVED FROM BENEFIT PROVISIONS  
IN 311 PLANS SOCIAL SECURITY ADMINISTRATION SURVEY<sup>a</sup>

<u>A</u> Per cent	<u>B</u> On 1st \$250 (No. plans)	<u>A x B</u>	<u>C</u> On Excess (No. plans)	<u>A x C</u>
0%	27	0.0	3%	0.0
$\frac{1}{2}$	13	6.5	6	3.0
$\frac{9}{16}$	1	0.6	-	-
$\frac{3}{5}$	1	0.6	-	-
$\frac{2}{3}$	4	2.7	1	0.7
$\frac{3}{4}$	100	75.0	6	4.5
$\frac{4}{5}$	2	1.6	1	0.8
$\frac{5}{6}$	1	0.8	-	-
$\frac{7}{8}$	1	0.9	1	0.9
$\frac{15}{16}$	1	0.9	-	-
1	132	132.0	59	59.0
$1\frac{1}{8}$	1	1.1	2	2.3
$1\frac{1}{6}$	-	0.0	1	1.2
$1\frac{1}{5}$	1	1.2	1	1.2
$1\frac{1}{4}$	7	8.8	7	8.8
$1\frac{1}{3}$	2	2.7	2	2.7
$1\frac{2}{5}$	0	0.0	3	4.2
$1\frac{1}{2}$	12	18.0	155	232.5
$1\frac{3}{4}$	0	0.0	6	10.5
$1\frac{3}{5}$	0	0.0	1	1.6
$1\frac{2}{3}$	0	0.0	2	3.3
2	5	10.0	53	106.0
$2\frac{1}{2}$	0	0.0	1	2.5
Total	311	263.4	311	445.7
Average		.85%		1.43%

## First \$250

Partici- pation	Average Plan	Social Security <sup>b</sup>	Total	Excess	Weighted Per cent \$250	\$417	\$1250
40 yrs	34%	30%	64%	57%	64%	61%	58%
31 yrs	26	30	56	44	56	51	46
30 yrs	25	30	55	43	55	50	45
26 yrs	22	30	52	37	52	46	40
20 yrs	17	29	46	29	46	39	32
21 yrs	18	29	47	30	47	40	33

Note: a. Computed from benefit percentage data in Analysis of Recent Group Annuities by Social Security Administration, 1948, pp. 50-52.

b. Approximated from data in Handbook on Federal Old Age and Survivors Insurance, (Washington, D.C.: Government Printing Office, 1947), p. 97.



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Table 1			
Year	1990	1991	1992
1	100	100	100
2	100	100	100
3	100	100	100
4	100	100	100
5	100	100	100
6	100	100	100
7	100	100	100
8	100	100	100
9	100	100	100
10	100	100	100

1	100	100	100
2	100	100	100
3	100	100	100
4	100	100	100
5	100	100	100
6	100	100	100
7	100	100	100
8	100	100	100
9	100	100	100
10	100	100	100



(FROM OFFICE) EARLIER DATE TO EXTEND REPLY  
WANT OF THIS ANSWER WITH THE OFFICE OF THE  
OFFICE OF THE ATTORNEY GENERAL TO THE  
FEDERAL BUREAU OF INVESTIGATION

Year ended	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968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1948



TABLE XIII

LIMITATIONS ON RETIREMENT BENEFITS  
TO HIGH SALARIED EMPLOYEES IN 289 RETIREMENT PLANS,  
BANKERS TRUST SURVEY<sup>a</sup>

Annual	Monthly	Number of plans	Per cent of plans
Maximum dollar pension			
\$18,000 to \$35,000	\$1,500 to \$2,917	31	11%
12,000 to 18,000	1,000 to 1,500	55	19
9,000 to 12,000	750 to 1,000	34	12
Less than 9,000	Less than 750	56	19
Maximum earnings recognized in determining pensions			
\$30,000 to \$50,000	\$2,500 to \$4,167	10	3½
20,000 to 30,000	1,667 to 2,500	12	4
10,000 to 20,000	833 to 1,667	12	4
Less than 10,000	Less than 833	1	½
Maximum pension as a percentage of compensation		3	1
No limitation as to maximum pension		<u>75</u>	<u>26</u>
	TOTAL	289	100%

Note: a. Source: 289 Retirement Plans, (New York: Bankers Trust Company, 1948), p. 11.

## TABLE XIX

ILLUSTRATION OF RETIREMENT BENEFITS  
 50 YEAR ANNUITY BENEFIT IN 1945 RETIREMENT YEAR,  
 DURING 1945 SERVICE

Number of Years of Service	Number of Years of Service	Monthly Benefit	Annual Benefit
10	10	Less than \$500	Less than \$500
15	15	\$500 to \$750	\$500 to \$750
20	20	\$750 to \$1,000	\$750 to \$1,000
25	25	\$1,000 to \$1,250	\$1,000 to \$1,250
30	30	\$1,250 to \$1,500	\$1,250 to \$1,500
35	35	\$1,500 to \$1,750	\$1,500 to \$1,750
40	40	\$1,750 to \$2,000	\$1,750 to \$2,000
45	45	\$2,000 to \$2,250	\$2,000 to \$2,250
50	50	\$2,250 to \$2,500	\$2,250 to \$2,500
55	55	\$2,500 to \$2,750	\$2,500 to \$2,750
60	60	\$2,750 to \$3,000	\$2,750 to \$3,000
65	65	\$3,000 to \$3,250	\$3,000 to \$3,250
70	70	\$3,250 to \$3,500	\$3,250 to \$3,500
75	75	\$3,500 to \$3,750	\$3,500 to \$3,750
80	80	\$3,750 to \$4,000	\$3,750 to \$4,000
85	85	\$4,000 to \$4,250	\$4,000 to \$4,250
90	90	\$4,250 to \$4,500	\$4,250 to \$4,500
95	95	\$4,500 to \$4,750	\$4,500 to \$4,750
100	100	\$4,750 to \$5,000	\$4,750 to \$5,000
105	105	\$5,000 to \$5,250	\$5,000 to \$5,250
110	110	\$5,250 to \$5,500	\$5,250 to \$5,500
115	115	\$5,500 to \$5,750	\$5,500 to \$5,750
120	120	\$5,750 to \$6,000	\$5,750 to \$6,000
125	125	\$6,000 to \$6,250	\$6,000 to \$6,250
130	130	\$6,250 to \$6,500	\$6,250 to \$6,500
135	135	\$6,500 to \$6,750	\$6,500 to \$6,750
140	140	\$6,750 to \$7,000	\$6,750 to \$7,000
145	145	\$7,000 to \$7,250	\$7,000 to \$7,250
150	150	\$7,250 to \$7,500	\$7,250 to \$7,500
155	155	\$7,500 to \$7,750	\$7,500 to \$7,750
160	160	\$7,750 to \$8,000	\$7,750 to \$8,000
165	165	\$8,000 to \$8,250	\$8,000 to \$8,250
170	170	\$8,250 to \$8,500	\$8,250 to \$8,500
175	175	\$8,500 to \$8,750	\$8,500 to \$8,750
180	180	\$8,750 to \$9,000	\$8,750 to \$9,000
185	185	\$9,000 to \$9,250	\$9,000 to \$9,250
190	190	\$9,250 to \$9,500	\$9,250 to \$9,500
195	195	\$9,500 to \$9,750	\$9,500 to \$9,750
200	200	\$9,750 to \$10,000	\$9,750 to \$10,000
205	205	\$10,000 to \$10,250	\$10,000 to \$10,250
210	210	\$10,250 to \$10,500	\$10,250 to \$10,500
215	215	\$10,500 to \$10,750	\$10,500 to \$10,750
220	220	\$10,750 to \$11,000	\$10,750 to \$11,000
225	225	\$11,000 to \$11,250	\$11,000 to \$11,250
230	230	\$11,250 to \$11,500	\$11,250 to \$11,500
235	235	\$11,500 to \$11,750	\$11,500 to \$11,750
240	240	\$11,750 to \$12,000	\$11,750 to \$12,000
245	245	\$12,000 to \$12,250	\$12,000 to \$12,250
250	250	\$12,250 to \$12,500	\$12,250 to \$12,500
255	255	\$12,500 to \$12,750	\$12,500 to \$12,750
260	260	\$12,750 to \$13,000	\$12,750 to \$13,000
265	265	\$13,000 to \$13,250	\$13,000 to \$13,250
270	270	\$13,250 to \$13,500	\$13,250 to \$13,500
275	275	\$13,500 to \$13,750	\$13,500 to \$13,750
280	280	\$13,750 to \$14,000	\$13,750 to \$14,000
285	285	\$14,000 to \$14,250	\$14,000 to \$14,250
290	290	\$14,250 to \$14,500	\$14,250 to \$14,500
295	295	\$14,500 to \$14,750	\$14,500 to \$14,750
300	300	\$14,750 to \$15,000	\$14,750 to \$15,000
305	305	\$15,000 to \$15,250	\$15,000 to \$15,250
310	310	\$15,250 to \$15,500	\$15,250 to \$15,500
315	315	\$15,500 to \$15,750	\$15,500 to \$15,750
320	320	\$15,750 to \$16,000	\$15,750 to \$16,000
325	325	\$16,000 to \$16,250	\$16,000 to \$16,250
330	330	\$16,250 to \$16,500	\$16,250 to \$16,500
335	335	\$16,500 to \$16,750	\$16,500 to \$16,750
340	340	\$16,750 to \$17,000	\$16,750 to \$17,000
345	345	\$17,000 to \$17,250	\$17,000 to \$17,250
350	350	\$17,250 to \$17,500	\$17,250 to \$17,500
355	355	\$17,500 to \$17,750	\$17,500 to \$17,750
360	360	\$17,750 to \$18,000	\$17,750 to \$18,000
365	365	\$18,000 to \$18,250	\$18,000 to \$18,250
370	370	\$18,250 to \$18,500	\$18,250 to \$18,500
375	375	\$18,500 to \$18,750	\$18,500 to \$18,750
380	380	\$18,750 to \$19,000	\$18,750 to \$19,000
385	385	\$19,000 to \$19,250	\$19,000 to \$19,250
390	390	\$19,250 to \$19,500	\$19,250 to \$19,500
395	395	\$19,500 to \$19,750	\$19,500 to \$19,750
400	400	\$19,750 to \$20,000	\$19,750 to \$20,000
405	405	\$20,000 to \$20,250	\$20,000 to \$20,250
410	410	\$20,250 to \$20,500	\$20,250 to \$20,500
415	415	\$20,500 to \$20,750	\$20,500 to \$20,750
420	420	\$20,750 to \$21,000	\$20,750 to \$21,000
425	425	\$21,000 to \$21,250	\$21,000 to \$21,250
430	430	\$21,250 to \$21,500	\$21,250 to \$21,500
435	435	\$21,500 to \$21,750	\$21,500 to \$21,750
440	440	\$21,750 to \$22,000	\$21,750 to \$22,000
445	445	\$22,000 to \$22,250	\$22,000 to \$22,250
450	450	\$22,250 to \$22,500	\$22,250 to \$22,500
455	455	\$22,500 to \$22,750	\$22,500 to \$22,750
460	460	\$22,750 to \$23,000	\$22,750 to \$23,000
465	465	\$23,000 to \$23,250	\$23,000 to \$23,250
470	470	\$23,250 to \$23,500	\$23,250 to \$23,500
475	475	\$23,500 to \$23,750	\$23,500 to \$23,750
480	480	\$23,750 to \$24,000	\$23,750 to \$24,000
485	485	\$24,000 to \$24,250	\$24,000 to \$24,250
490	490	\$24,250 to \$24,500	\$24,250 to \$24,500
495	495	\$24,500 to \$24,750	\$24,500 to \$24,750
500	500	\$24,750 to \$25,000	\$24,750 to \$25,000
505	505	\$25,000 to \$25,250	\$25,000 to \$25,250
510	510	\$25,250 to \$25,500	\$25,250 to \$25,500
515	515	\$25,500 to \$25,750	\$25,500 to \$25,750
520	520	\$25,750 to \$26,000	\$25,750 to \$26,000
525	525	\$26,000 to \$26,250	\$26,000 to \$26,250
530	530	\$26,250 to \$26,500	\$26,250 to \$26,500
535	535	\$26,500 to \$26,750	\$26,500 to \$26,750
540	540	\$26,750 to \$27,000	\$26,750 to \$27,000
545	545	\$27,000 to \$27,250	\$27,000 to \$27,250
550	550	\$27,250 to \$27,500	\$27,250 to \$27,500
555	555	\$27,500 to \$27,750	\$27,500 to \$27,750
560	560	\$27,750 to \$28,000	\$27,750 to \$28,000
565	565	\$28,000 to \$28,250	\$28,000 to \$28,250
570	570	\$28,250 to \$28,500	\$28,250 to \$28,500
575	575	\$28,500 to \$28,750	\$28,500 to \$28,750
580	580	\$28,750 to \$29,000	\$28,750 to \$29,000
585	585	\$29,000 to \$29,250	\$29,000 to \$29,250
590	590	\$29,250 to \$29,500	\$29,250 to \$29,500
595	595	\$29,500 to \$29,750	\$29,500 to \$29,750
600	600	\$29,750 to \$30,000	\$29,750 to \$30,000
605	605	\$30,000 to \$30,250	\$30,000 to \$30,250
610	610	\$30,250 to \$30,500	\$30,250 to \$30,500
615	615	\$30,500 to \$30,750	\$30,500 to \$30,750
620	620	\$30,750 to \$31,000	\$30,750 to \$31,000
625	625	\$31,000 to \$31,250	\$31,000 to \$31,250
630	630	\$31,250 to \$31,500	\$31,250 to \$31,500
635	635	\$31,500 to \$31,750	\$31,500 to \$31,750
640	640	\$31,750 to \$32,000	\$31,750 to \$32,000
645	645	\$32,000 to \$32,250	\$32,000 to \$32,250
650	650	\$32,250 to \$32,500	\$32,250 to \$32,500
655	655	\$32,500 to \$32,750	\$32,500 to \$32,750
660	660	\$32,750 to \$33,000	\$32,750 to \$33,000
665	665	\$33,000 to \$33,250	\$33,000 to \$33,250
670	670	\$33,250 to \$33,500	\$33,250 to \$33,500
675	675	\$33,500 to \$33,750	\$33,500 to \$33,750
680	680	\$33,750 to \$34,000	\$33,750 to \$34,000
685	685	\$34,000 to \$34,250	\$34,000 to \$34,250
690	690	\$34,250 to \$34,500	\$34,250 to \$34,500
695	695	\$34,500 to \$34,750	\$34,500 to \$34,750
700	700	\$34,750 to \$35,000	\$34,750 to \$35,000
705	705	\$35,000 to \$35,250	\$35,000 to \$35,250
710	710	\$35,250 to \$35,500	\$35,250 to \$35,500
715	715	\$35,500 to \$35,750	\$35,500 to \$35,750
720	720	\$35,750 to \$36,000	\$35,750 to \$36,000
725	725	\$36,000 to \$36,250	\$36,000 to \$36,250
730	730	\$36,250 to \$36,500	\$36,250 to \$36,500
735	735	\$36,500 to \$36,750	\$36,500 to \$36,750
740	740	\$36,750 to \$37,000	\$36,750 to \$37,000
745	745	\$37,000 to \$37,250	\$37,000 to \$37,250
750	750	\$37,250 to \$37,500	\$37,250 to \$37,500
755	755	\$37,500 to \$37,750	\$37,500 to \$37,750
760	760	\$37,750 to \$38,000	\$37,750 to \$38,000
765	765	\$38,000 to \$38,250	\$38,000 to \$38,250
770	770	\$38,250 to \$38,500	\$38,250 to \$38,500
775	775	\$38,500 to \$38,750	\$38,500 to \$38,750
780	780	\$38,750 to \$39,000	\$38,750 to \$39,000
785	785	\$39,000 to \$39,250	\$39,000 to \$39,250
790	790	\$39,250 to \$39,500	\$39,250 to \$39,500
795	795	\$39,500 to \$39,750	\$39,500 to \$39,750
800	800	\$39,750 to \$40,000	\$39,750 to \$40,000
805	805	\$40,000 to \$40,250	\$40,000 to \$40,250
810	810	\$40,250 to \$40,500	\$40,250 to \$40,500
815	815	\$40,500 to \$40,750	\$40,500 to \$40,750
820	820	\$40,750 to \$41,000	\$40,750 to \$41,000
825	825	\$41,000 to \$41,250	\$41,000 to \$41,250
830	830	\$41,250 to \$41,500	\$41,250 to \$41,500
835	835	\$41,500 to \$41,750	\$41,500 to \$41,750
840	840	\$41,750 to \$42,000	\$41,750 to \$42,000
845	845	\$42,000 to \$42,250	\$42,000 to \$42,250
850	850	\$42,250 to \$42,500	\$42,250 to \$42,500
855	855	\$42,500 to \$42,750	\$42,500 to \$42,750
860	860	\$42,750 to \$43,000	\$42,750 to \$43,000
865	865	\$43,000 to \$43,250	\$43,000 to \$43,250
870	870	\$43,250 to \$43,500	\$43,250 to \$43,500
875	875	\$43,500 to \$43,750	\$43,500 to \$43,750
880	880	\$43,750 to \$44,000	\$43,750 to \$44,000
885	885	\$44,000 to \$44,250	\$44,000 to \$44,250
890	890	\$44,250 to \$44,500	\$44,250 to \$44,500
895	895	\$44,500 to \$44,750	\$44,500 to \$44,750
900	900	\$44,750 to \$45,000	\$44,750 to \$45,000
905	905	\$45,000 to \$45,250	\$45,000 to \$45,250
910	910	\$45,250 to \$45,500	\$45,250 to \$45,500
915	915	\$45,500 to \$45,750	\$45,500 to \$45,750
920	920	\$45,750 to \$46,000	\$45,750 to \$46,000
925	925	\$46,000 to \$46,250	\$46,000 to \$46,250
930	930	\$46,250 to \$46,500	\$46,250 to \$46,500
935	935	\$46,500 to \$46,750	\$46,500 to \$46,750
940	940	\$46,750 to \$47,000	\$46,750 to \$47,000
945	945	\$47,000 to \$47,250	\$47,000 to \$47,250
950	950	\$47,250 to \$47,500	\$47,250 to \$47,500
955	955	\$47,500 to \$47,750	\$47,500 to \$47,750
960	960	\$47,750 to \$48,000	\$47,750 to \$48,000
965	965	\$48,000 to \$48,250	\$48,000 to \$48,250
970	970	\$48,250 to \$48,500	\$48,250 to \$48,500
975	975	\$48,500 to \$48,750	\$48,500 to \$48,750
980	980	\$48,750 to \$49,000	\$48,750 to \$49,000
985	985	\$49,000 to \$49,250	\$49,000 to \$49,250
990	990	\$49,250 to \$49,500	\$49,250 to \$49,500
995	995	\$49,500 to \$49,750	\$49,500 to \$49,750
1000	1000	\$49,750 to \$50,000	\$49,750 to \$50,000

Notes: 1. Service: 100 Retirement Years (New York Service Years)  
 2. Amount: \$1,000 per month

## CHAPTER VII

## THE SUPERANNUATION RETIREMENT AND SEPARATION OTHER THAN FOR DISABILITY

## FORCED ATTRITION

Considerations.

## Business and industry.

A business or industrial organization must adjust the size of its employee force to economic conditions. When business is "good", it can be expected that the number of persons employed will remain reasonably constant or increase. When business falls off, layoffs must be effected in order to adjust to the reduced demand for products or services. However, an employee who is discharged under such conditions remains eligible for re-employment with his former organization or may obtain employment in another organization which has need for his services.

The process of advancement to positions of higher responsibility is normally a "Yes or No" proposition, and of itself does not affect the employability of individuals. If a man is chosen, he moves up the ladder; if he is passed over, he continues in his former position. In this sense, so long as an employee satisfactorily performs the duties required of his present position, his failure of selection for advanced duties will not interfere with his continued employment.

## Armed forces.

Just as industry must adjust to business conditions, so must the defense establishment adapt itself to international condi-



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tions. When diplomacy seems unable to resolve problems between nations, when it appears more likely that violence will be used for the solution of these problems, the organization must increase the number of personnel employed. Conversely, when resort to violence is unlikely, there will be a cut-back in the number of persons in the armed forces. For officer personnel, this variability in employment will be absorbed in the promotion system; for enlisted personnel it will be taken care of through the recruitment program and qualifications for reenlistment.

Unlike organizations in business and industry, the armed forces in advancing their officer personnel up through the ranks employ an "Up or Out" system. If an officer fails twice of selection to a higher rank, however satisfactorily he may be performing the duties of his present rank, he may not continue in service but must be separated or retired. In order to have the vigorous and effective leadership at all ranks that is essential to military effectiveness, there must be a continuing flow of personnel, in at the bottom and out at all levels. This need was evidenced over a period of many years prior to the adoption of the present promotion system. In a sense, it may be said that superannuation takes place at all levels in the hierarchy. An officer separated from the active duty organization, is not reemployable in his former organization except in event of a national emergency, and he cannot properly employ his special abilities by bearing arms in the service of another nation.<sup>1</sup> If he has been retired, his employability in other government organizations is limited by dual compensation law.<sup>2</sup> If he is released with severance pay, such law does

close. When alignment comes finally to relative positions between nations,  
 when it appears that Italy has always will be used for the solution  
 of these problems, the situation will become the subject of serious  
 and repeated. Consequently, when regard to alignment is ultimately, there  
 will be a out-look in the future of Germany in the same way. The  
 other countries, this possibility in alignment will be considered in  
 the present context; for aligned Germany is still to be seen with of  
 through the central power and coalition for treatment.  
 While withdrawal in Germany and Italy, the  
 same factor is observed that will be considered up through the same  
 side as the other side. It is of the same side of alignment  
 to a slight extent, however, especially so as to increasing the nature  
 of the present work, as any not nothing is needed and not in any-  
 thing or nothing. It is to be seen the alignment and otherwise in-  
 ally as all sides that is essential in alignment respectively, there  
 must be a consistent line of movement, in so far as Germany and not all  
 levels. This must be followed over a period of many years before  
 the situation of the present situation is seen. In a sense, it may be  
 said that representation before all levels in the country.  
 An official reported from the active and organization, in the year -  
 1900s in the same situation except in some of a national  
 movement, and in some degree such as special activities in  
 being seen in the service of national nature. It is to be seen that  
 the responsibility to other movements respectively is to be seen by that  
 organization in. It is to be seen with movement and, such as the



not apply.

Meeting the problem in business and industry.

Retirement systems in business and industry meet the problem of forced separation in one of two ways. First, provision may be made for the employee through vesting, discussed in earlier chapter. The principle of vesting may be recognized either through the granting of a cash payment to the discharged employee or through the granting of a deferred annuity. Secondly, in the case of employees with relatively long service, the employee may be granted an "early retirement" benefit wherein he commences receiving an income immediately upon separation, but at an actuarially reduced rate.

Table XIV summarizes the early retirement provisions in the Bankers Trust survey. Of 278 plans on which data were available, there is provision for early retirement in 241 plans (86 per cent) under "forced attrition" conditions. Only 13 of the plans (7 per cent) provide for retirement at any time; 127 plans (46 per cent) require attainment of an age, usually fifty-five years; 92 plans (38 per cent) require both attainment of an age, usually fifty-five, and a minimum length of service, usually ten to twenty years.

Table XV shows the early retirement provisions among 376 group annuity plans analyzed by the Social Security Administration. Only 23 of these plans make no provision for early retirement or include disability as a requirement. There are 255 plans (68 per cent) with a normal retirement age of sixty-five which provide for ten year pre-normal retirement, giving an age of fifty-five as the early retirement time.

Working for results in business and industry.

Business success is business and industry and the

problem of business success is one of two parts. First, business success is based on the success of the business. Second, business success is based on the success of the business. The principle of business success is that the business should be successful in its own right.

It is a well-known fact that the business success of a man is based on the success of the business. It is a well-known fact that the business success of a man is based on the success of the business. It is a well-known fact that the business success of a man is based on the success of the business.

Business success is business and industry and the

problem of business success is one of two parts. First, business success is based on the success of the business. Second, business success is based on the success of the business.

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Business success is business and industry and the problem of business success is one of two parts. First, business success is based on the success of the business. Second, business success is based on the success of the business. It is a well-known fact that the business success of a man is based on the success of the business.

Business success is business and industry and the

problem of business success is one of two parts. First, business success is based on the success of the business. Second, business success is based on the success of the business.

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Including the plans which have both age and service requirements, 308 (82 per cent) provide for an early retirement age of fifty-five.

In the O'Neill survey (Table XVI), 500 (82 per cent) of 612 plans provide for early retirement. As in the two previously mentioned studies, the typical retirement age is fifty-five years.

#### Operation of the promotion system in the armed forces.

Table XVII summarizes the operation of the officer promotion system in the U.S. Navy, under the permanent provisions of Public Law 381, 80th Congress.<sup>3</sup> Column 1 shows the required distribution of all officers on the active list among the several ranks; column 2 shows the same distribution relative to a base of one thousand Ensigns and Lieutenants (junior grade).<sup>4</sup> Because of the decreasing number of officers allowed in successively higher ranks, attrition must take place from rank to rank (Columns 3 and 4). For instance, an attrition of about 53 per cent must take place in an original group of one thousand Ensigns and Lieutenants (junior grade) prior to reaching the rank of Lieutenant Commander. Some of this attrition will be through normal causes such as resignations, deaths and disabilities. The remaining attrition is accomplished through operation of selection boards. As groups of officers become eligible for promotion to the various ranks, they are considered by selection boards and the best qualified are chosen for advancement to the next higher rank, in numbers determined by the number of vacancies in the higher rank.<sup>5</sup> Each officer is considered by not more than two successive selection boards; officers failing of selection are considered as having been "passed over" and must



1. The first group (Table I) is the group of 1000 persons who were 15 years of age or over in 1950 and who were 15 years of age or over in 1960. This group is the largest and is the most important for the study of the effects of aging on the population.

Operation of the equipment under test is as follows:

[illegible]

be discharged from the service (Pay Grades O-2 and O-3), or placed on the retired list (Pay Grades O-4, 5, 6). Columns 5 and 6 indicate the planned advancement of an officer who will advance to highest rank. Column 7 indicates the disposition of officers at the various levels who fail of selection for the next higher rank. Lieutenants, junior and senior grade, are discharged upon the completion of seven and thirteen years service, respectively, with severance pay. Officers of higher rank are placed on the retired list with retired pay. Columns 9 through 12 develop the pay for officers passed over at the various ranks, applying life expectancy to approximate age at separation, to a final value expressed in terms of post-active duty income per year of service rendered.

#### Comparison.

It is impracticable to compare the early retirement features applicable to armed forces with those in business and industry, because of inability to give quantitative weight to the planned forced attrition in the armed forces which does not exist in civilian organizations. This latter factor requires the provision of a liberal retirement system for prospective officers. As stated in the report of the Hoover Commission:<sup>6</sup>

If the government wishes to draw men into a career service in which its interests dictate an early compulsory retirement age and disability retirement if physical and mental condition falls below a relatively high standard, it offers--it has to offer--comparatively high retirement benefits or pay.

The present pay schedule for all armed forces personnel is closely linked to that found in business and industry, with pay in the high ranks falling





below that in civilian organizations (Appendices B and C).

The liberality of dollar benefits to retired officers in Pay Grades O-4, 5 and 6 is indicated by the data developed in Tables XVII and XVIII. It is noted that the failure of selection to the rank of Lieutenant Commander makes a tremendous difference in the amount of post-active duty income (Column 11 of Table XVII).

A factor that enters into the consideration of benefits to members of the armed forces who are relieved from active duty is their employability in civilian organizations. For information on this subject, the reader is referred to a thesis written at this university.<sup>7</sup>

Although the forced attrition among enlisted personnel is of small magnitude, it should be noted that there is no provision for separation benefits, other than disability, for this group if total length of service is less than twenty years.

#### VOLUNTARY RETIREMENT AND SEPARATION

##### Requested by employee and approved by employer.

###### Business and industry.

Termination of employment resulting from the request of the employee and the approval of his employer is related to the early retirement features of retirement plans. Approval of the employer is presumably granted only when the termination of employment is in the best interests of the employing organization. In the Bankers Trust survey (Table XIV), of the 241 plans that provide for early retirement under normal conditions, 157 plans (65 per cent) require

before the Civil War (approximately 1860-1870). The importance of the Civil War in the history of the United States is well known. It was a period of great change and growth for the nation. The war was fought between the North and the South, and it resulted in the abolition of slavery. The war also led to the Reconstruction era, which was a period of rebuilding the South and integrating African Americans into society. The Civil War is a key event in American history, and it has shaped the nation in many ways.

The war was fought between the North and the South, and it resulted in the abolition of slavery. The war also led to the Reconstruction era, which was a period of rebuilding the South and integrating African Americans into society. The Civil War is a key event in American history, and it has shaped the nation in many ways. The war was fought between the North and the South, and it resulted in the abolition of slavery. The war also led to the Reconstruction era, which was a period of rebuilding the South and integrating African Americans into society. The Civil War is a key event in American history, and it has shaped the nation in many ways.

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company approval. In the O'Neill survey (Table XVI), of 500 such plans, 388 plans (78 per cent) require company approval.

#### Armed forces.

Officers may be retired on request, subject to approval by higher authority, after twenty years service, with retired pay at the rate of  $2\frac{1}{2}$  per cent of final basic times the number of years of service, with a maximum of seventy-five per cent. This type of retirement originated prior to the adoption of the selection system procedure, and was designed for the purpose of eliminating "deadwood" in the officer ranks. With the adoption of systems of forced attrition, the need for this type of separation has decreased, although it was employed during the Thirties to reduce the hump in officer ranks caused by the influx of officers into the services during World War I. The granting of requests for voluntary retirement is usually based on the needs of the service. In 1949, the Army was not granting such requests in cases of less than thirty years service; the Navy was approving requests of line officers with the minimum of twenty years service, but was requiring medical officers to remain on active duty for thirty years. The benefits in this type of retirement are the same as for officers who are passed over and forced to retire under the promotion law, and generally apply to those in Pay Grades O-5 and 6 (Table XVII).

Enlisted personnel with twenty or more years of service may, upon request, and subject to approval by higher authority, be retired with pay at the rate of  $2\frac{1}{2}$  per cent of final basic pay times the number of years service with a maximum of seventy-five per cent.<sup>8</sup>





In the absence of a forced attrition system such as exists for officers, this type of retirement is the principal means of effecting a flow of personnel out of active duty at the top rank. Requests for retirement are almost invariably granted.

#### Comparison.

As in the case of forced attrition, discussed in the first section of this chapter, the benefits to armed forces personnel are much more liberal than for business and industrial employees. With regard to officer personnel, however, this liberality in voluntary retirement lacks the justification that is has under forced attrition. It is to be explained on historical grounds, dating from a time when voluntary retirement was made attractive in order to stimulate separations that could not be compelled, as now. Presumably, operation of the promotion law should now meet the special needs of the armed forces in maintaining competent leadership at all ranks. Undoubtedly, there are cases in which voluntary retirement is desirable, but the granting of the same liberal benefits to those who want to "get out" as to those who are forced out is of doubtful validity. As mentioned in the closing paragraphs of this chapter, it appears that some compromise should be made between the liberal voluntary retirement benefits and the lack of any benefits at all to those who separate themselves from the service by resignation.

In the case of enlisted personnel, the liberality of voluntary retirement benefits is more justifiable because of the absence of a forced attrition system. However, here too, a compromise

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of the extremes of benefits may be in order.

Without approval of the employer.

Business and industry.

In separation that is effected without the employer's approval, the employee in business and industry may, through vesting, expect to retain an equity in the retirement fund upon meeting certain service and/or age conditions (Tables III through VII in Chapter IV). In a limited number of cases, the employee who "quits" may obtain early retirement benefits. Early retirement at the election of the employee is allowed in only 29 per cent of the plans in the Bankers Trust survey, and in 19 per cent of the plans in the O'Neill survey.

Armed forces.

Both the officer who resigns his commission and the enlisted man with less than twenty years service who does not reenlist, lose all equity in the retirement system.

Comparison.

Under these conditions, personnel of the armed forces are at a complete disadvantage. This restriction in benefits is a strong factor in "holding the employee", but from the viewpoints of society and of the individual employee it defeats the purposes of retirement systems.

Compromise in the armed forces.

Recognizing the paramount importance of the public interests in relation to national defense, the writer does not propose that it should



be "easy" for personnel to separate themselves from the defense establishment. At the same time, the door should not be shut to voluntary termination of employment to the degree that personnel who do leave the service of their own volition lose all equity in the retirement system. Those who are separated from the service under voluntary conditions, whether or not such separation is in the best interests of the service, should neither receive the liberal benefits of officers with twenty years service who are forced out under the selection system, nor should they receive nothing. In all cases the principles of vesting should be recognized. A reasonable compromise would be one under which the individual either receives an immediate benefit, at a reduced rate, or a deferred benefit at the full rate. By such a procedure, the opportunity to leave the service in order to gain immediate liberal benefits would be limited, and at the same time the right of personnel (and their dependants) to deferred wages would be recognized.

No separate section of this study is devoted to the problem of personnel separated from the services as a result of court-martial proceedings. Here too, the principles of vesting should be applied. Punishment for disciplinary offenses should not be visited on the innocent dependants of guilty service personnel through the complete denial of participation in the "retirement fund".



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TABLE XIV

EARLY RETIREMENT PROVISIONS IN 278 RETIREMENT PLANS,  
BANKERS TRUST SURVEY<sup>a</sup>

Provision	Number of plans	
<u>Only with company consent:</u>		
After attaining age . . . . .	90	
After completion of service . . . . .	2	
After attaining age <u>and</u> completion of service . . . . .	47	
Anytime . . . . .	<u>18</u>	
	157	(56%)
<u>At employee's election:</u>		
After attaining age . . . . .	37	
After completion of service . . . . .	2	
After attaining age <u>and</u> completion of service . . . . .	<u>45</u>	
	84	(30%)
<u>Only for disability or hardship</u>	35	(13%)
<u>No provision</u>	2	(1%)
TOTAL	278	(100%)

Of the 137 (90 plus 37) plans providing for age only:

Age 55 is used in 103 plans	
" 60 " " " 21 "	
" 50 " " " <u>3</u> "	
TOTAL	127

Of the 92 (47 plus 45) plans providing for age and service:

Age 55 is used in 72 plans	(Service requirement is 10
" 60 " " " 15 "	to 20 years, in general)
" 50 " " " <u>5</u> "	
TOTAL	92

Note: a. Source: 289 Retirement Plans, (New York: Bankers Trust Company, 1948), p. 8.





TABLE XV

EARLY RETIREMENT PROVISIONS IN 376 GROUP ANNUITY PLANS,  
SOCIAL SECURITY ADMINISTRATION SURVEY<sup>a</sup>

Years before normal retirement and other conditions	Normal Retirement Age			Total
	60	65	Other	
5 years . . . . .	-	3	-	3 ( 1%)
10 years . . . . .	3	255	6	264 (70%)
15 years . . . . .	-	2	-	2 ( 1%)
Not specified . . . . .	2	23	-	25 ( 6%)
10 years and years of participation or service . . .	-	32	1	33 ( 9%)
10 years and disability or hardship . . . . .	-	10	-	10 ( 3%)
10 years and years of service or disability . . . . .	-	8	-	8 ( 2%)
Miscellaneous . . . . .	-	25	1	26 ( 7%)
None . . . . .	-	5	-	5 ( 1%)
<b>TOTAL</b>	<b>5</b>	<b>363</b>	<b>8</b>	<b>376(100%)</b>

Note: a. Source: Analysis of Recent Group Annuities, (Washington, D.C.: Social Security Administration, 1948), p. 11.

TABLE IV

PERCENTAGE OF TOTAL POPULATION IN THE UNITED STATES  
WHICH IS WHITE, NEGRO, AND OTHER RACES

Total Population				Total	White	Negro	Other
Year	1900	1910	1920				
1900	100	100	100	100	90	10	0
1910	100	100	100	100	88	12	0
1920	100	100	100	100	86	14	0
1930	100	100	100	100	84	16	0
1940	100	100	100	100	82	18	0
1950	100	100	100	100	80	20	0
1960	100	100	100	100	78	22	0
1970	100	100	100	100	76	24	0
1980	100	100	100	100	74	26	0
1990	100	100	100	100	72	28	0
2000	100	100	100	100	70	30	0

Source: U.S. Census Bureau, *Statistical Abstract of the United States*, 1992, p. 11.

TABLE XVI

EARLY RETIREMENT PROVISIONS IN 612 RETIREMENT PLANS,  
O'NEILL SURVEY<sup>a</sup>

Type Provision <sup>c</sup>	Number of plans	Conditions for Early Retirement <sup>b</sup>		Number of plans
		With company consent	At employee's election	
Early retirement	500 (82%)	388 (78%)	83 (16%)	500 (100%)
" "	8 <sup>d</sup> (1%)	At election of either	14 (3%)	
For disability only	26 (4%)	No data	15 (3%)	
None	78 (13%)			
	612 (100%)			

Conditions for Early Retirement<sup>e</sup>

Years Service	Pre-normal Retirement			No reference to normal Re- tirement Age	No conditions specified	Misc. & No Info.
	5 yrs	10 yrs	15 yrs			
None	21	253	4			
3		1				
5	3	3				
10	3	15		1		
15	6	11		3		
20	2	17		3		
25		4		1		
30	1	3		2		
Other		1				
Total	36	308	4	10	123	19
Per cent	7%	61%	1%	2%	25%	4%
						100%

Note: a. Source: Hugh O'Neill, Modern Pension Plans, (New York: Prentice-Hall, Inc., 1947).

b. Table G-1 on p. 271.

c. Table G-3 on p. 275.

d. Specific provisions not available.

e. Derived from data in Table G-1, pp. 271-273.



Pay Grade	Rank	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	
		Distribution	1000 base distribution	Step Attrition <sup>a</sup>	Cumulative Attrition <sup>b</sup>	Normal Service in grade	Normal total service if selected	Total Service if Passed over	Per cent (2½ x No. Yrs) (Max. 75%)	Final Basic Pay (Per
0-7, 8	Admiral	.75	19	-	98.1	-	-			
0-6	Captain	6.00	156	13.7	84.4	5 years	30 years	31 years <sup>d</sup>	75% x	\$698 \$5
0-5	Commander	12.00	312	15.6	68.8	7 years	25 years	26 years <sup>d</sup>	65 x	585 3
0-4	Lt. Cdr.	18.00	467	15.5	53.3	6 years	18 years	20 years <sup>d</sup>	50 x	485 2
0-3	Lieutenant	24.75	643	17.6	35.7	6 years	12 years	13 years <sup>c</sup>	-	385 (\$9
0-2, 1	LTJG & Ensign <sup>e</sup>	38.50	1000	35.7	-	3 & 3 yrs.	3 & 3 yrs.	3 & 4 yrs <sup>c</sup>	-	292 ( 3
TOTAL		100.00	2600	98.1						

Note: a. Attrition between rank indicated and next higher rank.  
b. Cumulative attrition by the time the rank indicated is reached.  
c. Honorably discharged with severance pay--2½ months of final basic pay for each two months service; maximum of two years pay.  
d. Placed on the retired list with pay equal to 2½ times final basic pay times number of years service.  
e. Ensign is advanced to rank of LTJG upon the satisfactory completion of three years service and examination.

TABLE XVII

ATTRITION AND BENEFITS INCIDENT TO ADVANCEMENT  
OF OFFICER PERSONNEL, U.S. NAVY, UNDER  
PERMANENT PROVISIONS OF PUBLIC LAW 381, 80TH CONGRESS

Retired by Month)	Col. 9	Col. 10	Col. 11	Retired (separated) income per year of service
	Approx. Age at Separation	Life Ex- pectancy (Months)	Expected Retired Income	
24	54	248	\$129,952	\$4192
30	49	294	111,720	4297
43	43	353	85,779	4289
140) <sup>c</sup>	36	-	(49,140) <sup>c</sup>	(703)
068) <sup>c</sup>	30	-	( 3,088) <sup>c</sup>	(441)





TABLE XVIII

COMPARISON OF PERCENTAGE BENEFITS OF PASSED-OVER CAPTAINS,  
COMMANDERS, AND LIEUTENANT COMMANDERS WITH THOSE OF COMPARABLE  
CIVILIANS ON AVERAGE COMPENSATION BASIS

	Captain (30 yrs)	Comdr. (26 yrs)	Lt. Cdr. (20 yrs)
A. Final basic pay	\$698	\$584	\$485
B. Retired pay (years service times $2\frac{1}{2}\%$ times A. Maximum of 75%)	524	380	243
C. Average basic pay (Appendix A)	454	409	362
D. <u>Retired pay (B)</u> Average basic pay (C)	115%	93%	67%
E. Average basic pay plus allowances (Appendix A)	\$592	\$542	\$485
F. <u>Retired pay (B)</u> Average basic pay and allowances (E)	89%	70%	50%
G. <u>Average basic pay (C)</u> Final basic pay (A)	.65	.70	.75
H. Assumed final basic pay of comparable civilian (Appendix B)	\$987	\$619	\$571
I. Assumed average basic pay of comparable civilian (G x H)	642	433	428
J. <u>Retired pay (B)</u> Assumed average basic pay of comparable civilian (I)	82%	88%	57%
K. Median percentage benefit of comparable civilian (Table X)	42%	36%	28%
L. Median percentage benefit of comparable civilian (Table XI)	50%	46%	39%
M. Number of months retired officer may expect to draw retired pay (Table XVII, Col. 10)	248	294	353
N. Number of months civilian might expect to draw retired pay (Life expectancy at age 65)	160	160	160



## CHAPTER VIII

## DISABILITY AND SURVIVOR BENEFITS

Retirement and separation for disability.

## General.

Disability refers to the impairment of the faculties of an individual, resulting from accident or disease. Disability may be partial or total, temporary or permanent. When the employee is permanently disabled to such a degree that his continued employment in the same job will lower the productivity of his organization, it is in the interest of the organization to give the employee a new position in which he can operate efficiently, or else terminate his employment. Where termination of employment becomes necessary, it is in the interests of the employee and society that provision be made for his security and that of his dependents.

## Business and industry.

When necessary, the partially disabled employee in business and industry normally can be relocated in a position wherein his disability will not interfere with efficient job performance.

In cases of total permanent disability, termination of employment is the only solution. In retirement plans that provide for disability, the granting of benefits is usually governed by vesting and early retirement provisions in the plans, rather than by specific disability provisions. Of 313 group annuity plans in the O'Neill survey, only 14 make specific reference to the payment of disability benefits.



Addressed and returned to the Librarian

It is the purpose of this report to present a summary of the results of the investigation conducted by the Department of the Interior, Bureau of Land Management, in the year 1964, in connection with the proposed construction of a dam and reservoir on the Colorado River at the mouth of the Grand Canyon National Park, Arizona. The purpose of the investigation was to determine the feasibility of the proposed project and to provide information for the decision-making process.

It is true that the scientific method is not a magic wand that can solve all problems. It is a tool that must be used wisely and with care. It is a process that requires patience and persistence. It is a journey that leads to discovery and knowledge. It is a path that is open to all who are willing to follow it.

Of 152 individual annuity plans, 58 plans (38 per cent) make specific provision for such benefits.<sup>1</sup>

Many companies provide contributory insurance plans which include coverage for disability. In Table XIX are listed provisions found in some selected group insurance plans. Of fifty employee-benefit plans in the steel industry, analyzed by the Social Security Administration, twenty-eight provide for permanent and total disability payments in amounts varying from \$500 to \$20,000.<sup>2</sup>

#### Armed forces.

Partial disability assumes greater importance in the armed forces than it does in business and industry because of the need for a consistently high standard of physical performance in military service. Many men with only partial disabilities, who would be retained if employed in civilian organizations, must be separated from the armed forces.

Under the provisions of the Career Compensation Act of 1949, conditions of retirement and separation for disability have been completely revised. After it appears probable that an individual has a disability to such an extent that he is not qualified to perform the duties of his rank, the degree of disability is determined on a percentage impairment basis by the Veterans' Administration. A given disability percentage represents the degree to which the capacities of a disabled individual fall below that of a normal person. For disabilities of less than thirty per cent, the officer or enlisted man concerned is separated from the service with severance pay (two months'





active duty basic pay per year of service to a maximum of two years basic pay) unless he has more than twenty years service, in which case he may retire at the  $2\frac{1}{2}$  per cent rate. For a disability of thirty per cent or more, the individual is retired, with a choice of pay equal to the disability percentage multiplied by his basic pay or pay at the  $2\frac{1}{2}$  per cent rate. An exception is made in the case of the individual with less than eight years service whose disability is not the result of performance of actual duty.<sup>3</sup> In this case he is separated with severance pay. If there is any question as to the permanence of the disability, the serviceman is placed on a temporary disability retirement for a maximum of five years. During this period he is given periodical physical examinations, and prior to the termination of the time period, decision must be made as to whether or not his active service will be terminated.

#### Comparison.

The conditions under which personnel must be separated differ to such a degree between the two categories (armed forces versus business and industry) as to make impracticable any direct comparison. One factor that should be considered in evaluating the amount of benefits that are granted armed forces personnel is the possible employability of the partially disabled serviceman in civilian life.

#### Survivor benefits.

##### General.

Survivor benefits refer to payments made, in a



retirement system, to the dependents of deceased employees. Recognizing the importance of security to employee dependents, the inclusion of death benefits may be considered an important part of a retirement system. Whether or not a retirement system provides for payment of survivor benefits depends on the vesting practice in that system. Usually where death benefits are vested, a distinction is made between death before retirement and death after retirement.

#### Business and industry.

Death benefits prior to retirement are rarely provided as an integral part of group annuity or self-administered plans, although such provision is frequently made in the case of individual annuity plans. In the O'Neill survey (Table XX), none of the 313 group annuity plans provides for benefits on death prior to retirement. Of 121 self-administered plans, 31 plans (26 per cent) provide for death benefits, and of 152 individual annuity plans 150 (99 per cent) make such a provision. Many organizations whose retirement plans allow no pre-retirement survivorship benefits, carry group life insurance, usually contributory. Of the 313 corporations with group annuity plans, at least 235 (75 per cent) offer such insurance. Of the 121 corporations with self-administered plans, at least 91 (75 per cent) offer group life insurance.

Some plans make provision for the payment of survivor benefits in event of the death of an employee after retirement. Under individual annuity plans, it is common to guarantee payment of a minimum total retired benefit. If the retired employee should die prior



1. The first step in the process of identifying a problem is to determine the nature of the problem. This involves a thorough understanding of the situation and the factors that are contributing to the problem. Once the nature of the problem is understood, the next step is to identify the causes of the problem. This involves a detailed analysis of the situation and the factors that are contributing to the problem. Once the causes of the problem are identified, the next step is to develop a plan of action to address the problem. This involves determining the steps that need to be taken to solve the problem and the resources that will be required to implement the plan. Finally, the last step in the process is to implement the plan and monitor the results. This involves putting the plan into action and tracking the progress of the solution to ensure that the problem is resolved.

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Although such provision is frequently made in the case of railroad  
lines as an integral part of the railroad system, it is not necessary that

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639 (55 mm) (very young) (other small individuals). Of the 121 specimens with dentitions, 67 (55.3%) specimens with sharp canines almost all have

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To contact all 700 employees who could work  
 , American will be responsible for the work and the safety of all involved employees

1. The company's financial statements are prepared in accordance with the generally accepted accounting principles (GAAP) of the United States.

to payment of this minimum, the balance is paid to his designated beneficiary. Under group annuity plans, the survivor may receive the amount of the employee's contributions minus the amount of retirement benefits paid prior to the death of the employee. Often in group annuity plans, the retiring employee may elect a reduced benefit rate so that after his death payments will continue to his widow for the duration of her life. The writer has no information to offer on self-administered plans. Under the group life insurance plans mentioned in the preceding section, retiring employees normally have the privilege of continuing to carry after retirement all or part of the insurance with the full amount of premiums paid by themselves.

#### Armed forces.

Dependents of persons dying on active duty are entitled to lump sum payment of six months' active duty pay. If the deceased has served in time of war, dependents also are entitled to a monthly pension (Table XXI).

In no case are dependents of retired or separated non-veterans entitled to survivor benefits. When death of a World War II veteran, not on active duty, occurs, survivorship benefits are payable only if the deceased had been retired for disability.

Service personnel are eligible to purchase up to \$10,000 worth of government life insurance which may be continued after separation from the armed forces.

#### Comparison.

The armed forces appear to be on a par with business





and industry in the matter of survivor benefits if the availability of life insurance is considered. However, certain improvements in the armed forces retirement system are considered advisable. First, in appreciation of the importance of providing security for dependents, it is advisable to make compulsory the purchase of government life insurance. Second, the effectiveness of the retirement system would be greatly increased by allowing the option of electing the payment of retired benefits at a reduced rate, with provision for continuing payment of benefits to dependents after death (joint and survivorship annuity). It is noted that among the retirement systems administered by the federal government survivorship annuities are now available under all of the contributory systems.<sup>4</sup>



TABLE XIX  
CONTRIBUTORY GROUP INSURANCE PLANS  
FOR DEATH AND DISABILITY (NON-OCCUPATIONAL)

Company	Wage or Salary Range(Monthly)	Life Insurance	Total and Permanent Disability
Cudahy Packing	Up to \$435	\$1,000 to 10,000	\$1,000 to 10,000
Buda	" " 200	1,000 to 1,500	1,000 to 1,500 <sup>b</sup>
Stand. Oil of Calif.	" " 500	2,000 to 6,000 <sup>a</sup>	- - - - -
Lockheed Aircraft	" " 800	500 to 25,000	500 to 10,000 <sup>b</sup>
Boeing Airplane	" " 500	2,500 to 10,000 <sup>a</sup>	2,500 to 10,000 <sup>b</sup>
Raytheon M'f'g.	" " 500	2,000 to 9,000 <sup>a</sup>	- - - - -
Douglas Aircraft	" " 800	2,000 to 10,000	2,000 to 10,000 <sup>b</sup>
Hornel	" " 625	3,000 to 15,000	- - - - -
Nat'l Cash Register	- - - - -	2,000	2,000 <sup>b</sup>
Yale & Towne M'f'g.	- - - - -	1,500	1,500 <sup>b</sup>

Note: a. In addition, limited amounts of free insurance are provided by company.  
b. Partial disability, involving loss of one eye or limb, also covered to one-half amount indicated.



Statement of the Board of Directors of the Corporation  
 for the year ended December 31, 1934  
 The Board of Directors of the Corporation has the honor to acknowledge the assistance of the  
 auditors in the preparation of this statement.

TABLE III

STATEMENT OF THE BOARD OF DIRECTORS OF THE CORPORATION  
 FOR THE YEAR ENDED DECEMBER 31, 1934

Company	Part of Year (Percentage)	Life Insurance	Total and Residual Guaranty
Company A	100%	\$1,000 to \$10,000	\$1,000 to \$10,000
Company B	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company C	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company D	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company E	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company F	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company G	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company H	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company I	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company J	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company K	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company L	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company M	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company N	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company O	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company P	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company Q	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company R	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company S	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company T	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company U	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company V	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company W	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company X	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company Y	100%	\$1,000 to \$1,500	\$1,000 to \$1,500
Company Z	100%	\$1,000 to \$1,500	\$1,000 to \$1,500

Note: 1. In addition, listed names of the insurance companies  
 2. Total Assets, including loss of the year 1934, also  
 referred to as full name indicated.

TABLE XI

PRE-RETIREMENT SURVIVOR BENEFITS AND LIFE INSURANCE  
IN 612 CORPORATIONS HAVING RETIREMENT SYSTEMS, O'NEILL SURVEY<sup>a</sup>

Conditions	313 Group Annuity	152 Individual Annuity	121 Self-Administered
	Companies	Companies	Companies
Years service	-	3 ( 2%)	15 (12%)
Age and service	-	-	3 ( 3%)
Other	-	2 ( 2%)	-
Non-immediate vesting	-	145 (95%)	13 (11%)
Group Life Insurance	235 <sup>b</sup> (75%)	-	91 <sup>b</sup> (75%)
TOTAL	75%	99%	101%

Note: a. Source: Hugh O'Neill, Modern Pension Plans, pp. 320-322.

b. Minimum figures. Additional companies, not identified, may have group life insurance plans.

## TABLE IV

PERCENTAGE DISTRIBUTION OF THE POPULATION IN ALL COMMUNITIES BY SEX AND AGE GROUP

Age Group	Male	Female	Total	Percentage of Total
Under 15	10.1	10.1	20.2	10.1
15-24	10.1	10.1	20.2	10.1
25-34	10.1	10.1	20.2	10.1
35-44	10.1	10.1	20.2	10.1
45-54	10.1	10.1	20.2	10.1
55-64	10.1	10.1	20.2	10.1
65-74	10.1	10.1	20.2	10.1
75-84	10.1	10.1	20.2	10.1
85 and over	10.1	10.1	20.2	10.1
Total	100.0	100.0	200.0	100.0

NOTE: The percentages in this table are based on the 1950 Census of the United States. The percentages for the total population are based on the 1950 Census of the United States. The percentages for the male and female populations are based on the 1950 Census of the United States.



TABLE XXI

MONTHLY RATES OF COMPENSATION TO WIDOWS AND CHILDREN  
OF DECEASED VETERANS OF WORLD WAR II

Condition	Widow <sup>b</sup>	Widow & 1 child <sup>b</sup>	Each Additional Child <sup>b</sup>
Death occurs in wartime or was a result of wartime service	\$75	\$105	\$25
Death occurs in peacetime while on active duty	60	84	20

Note: a. Source: House Committee Print No. 173, 81st Congress, 1st Session, Addendum Section, p. 32.

b. Provision also made for dependent children alone and for dependent parents.

Except in the case of death resulting from wartime service, no benefits are payable after separation unless the deceased was retired for disability.

REMARKS: THE ABOVE IS SUMMARY OF THE INFORMATION RECEIVED FROM THE  
 THE ABOVE IS SUMMARY OF THE INFORMATION RECEIVED FROM THE

Qualification	Age	Sex	Height	Weight	Build	Complexion	Other
1	25	M	5' 10"	175	Medium	Fair	
2	28	F	5' 8"	130	Slender	Dark	
3	32	M	6' 2"	210	Heavy	Fair	
4	35	F	5' 6"	140	Medium	Dark	
5	38	M	5' 11"	185	Medium	Fair	
6	40	F	5' 4"	120	Slender	Dark	
7	42	M	6' 0"	200	Heavy	Fair	
8	45	F	5' 7"	135	Medium	Dark	
9	48	M	5' 9"	160	Medium	Fair	
10	50	F	5' 5"	125	Slender	Dark	

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## CHAPTER IX

## SUMMARY AND CONCLUSIONS

History.

Formal retirement plans have been in existence in business and industry since 1874, but their development was relatively slow until about 1930. During the recent war years, there was a tremendous increase in the number of plans, principally as a result of the allowance to corporations of income tax deductions on profits turned over to retirement systems, and also as a result of the high excess profits taxes in effect during those years. Although retirement benefits have been given the armed forces since the days of the Revolution, it was not until the latter part of the nineteenth century that benefits for other than disability were extended to cover the majority of military personnel.

Purpose.

Retirement systems offer advantages to the employer, to the employee and to society. The employer is benefitted by having a convenient and fair method of disposing of employees who are superannuated or disabled. A retirement system also serves the purpose of attracting personnel to his organization and influencing them to remain in his service. In the armed forces, retirement serves the important additional purpose of complementing the promotion system under which large percentages of officer personnel must be eliminated at all ranks. To the employee, the principal value of a retirement system lies in the security it provides for him and his dependents. Society places a value



## CHAPTER II

## GENERAL AND CONCLUSIONS

Summary.

General retirement plans have been in existence in England and Ireland since 1874, but their development was relatively slow until about 1920. During the recent war years, there was a tremendous increase in the number of plans, principally as a result of the increased contributions of income tax deductions on profits earned even to small amounts, and also as a result of the high income tax rates in effect during those years. Although retirement benefits have been given the same force since the day of the enactment, it was not until the latter part of the nineteenth century that benefits for other than disabled were extended to cover the subject of military personnel.

Problems.

Retirement plans offer advantages to the employee, to the employer and to society. The employer is benefited by having a conservative and fair method of disposing of employees who are removed or disabled. A retirement system also serves the purpose of assisting personnel in the organization and encouraging them to remain in his service. In the same form, retirement serves the important additional purpose of encouraging the promotion system which large personnel or official personnel must be organized at all costs. To the employee, the principal value of a retirement system lies in the security it provides for him and his dependents. Another plan is that

on retirement programs because they reduce the need for public and private charity and increase the number of independent and self-respecting members. In this sense, it is preferable that membership by employees in retirement systems be compulsory. Because of the stability of income provided through such systems, the economic health of the nation is supported.

#### Payment for retirement systems.

The costs of retirement systems may be absorbed in increased productive efficiency. Where this absorption does not take place, the consumer pays for unabsorbed costs. According to the deferred wage theory, which this writer supports, retirement benefits are actual compensation to the employee, payment of which is deferred. In this sense, it is the employee who pays the costs, whether the plan be contributory or non-contributory. This theory, supported by respected writers in the retirement field, is closely related to the practice of vesting.

#### Contributory versus non-contributory systems.

Whether a retirement system should be contributory or not, is a highly controversial question. A contributory system is advantageous to the employee because the surety of receiving benefits is greater; there is greater likelihood of vesting in case of early separation from the employing organization; provision for voluntary contributions are more likely; greater employee control of the system may be expected; there is higher probability of varying equities upon retirement

on treatment program because they reduce the need for pills and  
 private therapy and increase the number of independent and self-reliant  
 sick members. In this sense, it is preferable that membership be  
 voluntary in the treatment program in the hospital. Because of the possibility  
 of income provided through such system, the economic basis of the  
 system is important.

### Program for voluntary system.

The idea of voluntary system has been shown in  
 various positive attitudes. When this philosophy has been  
 placed, the program for independent work. According to the different  
 ways shown, when this system is put into effect, the system  
 compensation to the employee, payment of which is voluntary. In this  
 sense, it is the employee who pays the cost, which the plan is an  
 element of self-insurance. This plan, supported by voluntary  
 efforts in the voluntary field, is always better in the position of  
 working.

### Comparison between voluntary system.

When a treatment system should be voluntary or not,  
 is a highly controversial question. A compulsory system is often  
 opposed to the employee because the duty of working benefits is  
 greater; there is greater likelihood of working in case of early return  
 from the hospital or hospital; provides for voluntary contributions  
 from the sick itself; provides employee interest in the system and in  
 the system.



through optional choice of methods of benefit payment. However, the employee may expect to pay higher income taxes under a contributory system, because his contributions are not deductible from taxable income, whereas those of the employer are deductible. From the employer's viewpoint, the contributory system offers the advantage of limiting excessive retirement benefit demands on the part of the employee, and of increasing employee interest in the program. However, the administrative costs of the employer, in a contributory system, will be higher; the employer will probably be less able to retain the employee, and will probably receive less credit for the benefits. Society finds the contributory system advantageous because it is more likely to guarantee benefits through the use of sound actuarial funding methods and also because of the opportunity for voluntary contributions on the part of the employee.

Early retirement plans in business and industry were predominantly non-contributory, but during the 1930's and up until World War II, new plans adopted were predominantly contributory. During the war, there was a swing to non-contributory plans because employers with high profits took advantage of the tax exemption privilege applying to retirement plan contributions. A trend back to contributory plans took place after the close of the war and, findings of the President's 1949 steel fact-finding board notwithstanding, this trend appears to have continued into 1949. The majority of plans in existence are non-contributory, but on a basis of employees covered, the differential is small.

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Among contributory plans in business and industry, it is typical for employees to pay about two per cent on the first \$3,000 of compensation (the limit for Social Security payroll deductions), and about four per cent on that portion of compensation over \$3,000. The rate of employee contributions is likely to be reflected in the amount of benefits provided.

The writer believes that the adoption of a contributory system would be advantageous to the personnel of the armed forces, although it would result, at least temporarily, in a decrease in take-home pay.

#### Vesting.

Vesting is the transfer to the employee, prior to normal retirement, of title to money paid into the retirement system on his account by the employer. This transfer may take place immediately upon an employee's joining the system, or it may be deferred. It may take place gradually over a period of time (graded vesting), or all at one time (full vesting).

Vesting recognizes retirement funds as being deferred compensation, belonging to the employee. Where there is vesting, an employee who leaves an organization before he has gained the right to normal or early retirement benefits may be paid a lump sum or may receive a deferred annuity.

Vesting is desirable because it favors the security of the employee and facilitates the mobility of labor. From the employer's viewpoint, it is undesirable because it decreases his ability to hold



about \$100 per year or less. The cost of the fuel oil used in the engine is about \$100 per year or less. The cost of the fuel oil used in the engine is about \$100 per year or less.

The writer believes that the subject of a manuscript should be discussed in the introduction of the manuscript, and that the subject should be discussed in the introduction of the manuscript.

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Tested in the standard 1000 cc engine, after an overhaul, of 1914 in many tests the following results were obtained by the engine. This engine was first tested upon an engine's joining the system, as it was believed, it was also made specially over a period of time (about 1914), as all of the

Testing revealed evidence of a strong relationship between the two variables, indicating that the variables are related. The results of the analysis are as follows:

Twisting is undesirable because it forces the material to be

the employee in service.

The large majority of plans in business and industry provide for vesting. Conditions for vesting are usually based on years of service, on age, or on age and service. Service requirements vary from one to twenty-five years, age requirements vary from thirty-five to sixty. Only a small percentage of plans allow immediate full vesting.

It cannot be said that there is any vesting in the armed forces except through benefits provided under disability and forced retirement. There is no provision for payment of "deferred wages" to officers who resign their commissions; for enlisted men with less than twenty years service who do not reenlist; or for persons dismissed from the service as a result of court-martial action.

#### Funding.

Funding refers to the advance accumulation of money for the future payment of retirement benefits. When there is no funding, a plan is said to be an unfunded or cash disbursement plan. A plan is partially funded when it makes some, but not complete, advance accumulation toward the payment of future benefits.

Only under a funded retirement system are society and the employee literally guaranteed that promised benefits will be paid. Funding is also in accordance with sound business principles because the retirement fund represents a depreciation reserve on the human "machine", similar to that provided for actual plant machinery. Costs are paid by the present generation, the beneficiary of the services rendered. Lastly, funding has an important psychological advantage in

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THE SERVICE OF A VENDOR OF OVER-SEALED MAIL

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relating benefits more closely to the prospective capacity of employers to pay them.

Among pension plans in business and industry, funding is almost universal. The retirement system of the armed forces, on the other hand, is entirely unfunded.

The Hook Commission considered a funded system in the armed forces to be impracticable because of the difficulty of actuarial computation, and considered it unnecessary because of the taxing power of the government. The writer recognizes the former difficulty but does not consider the government's power of taxation to be a valid reason for not using a funded system. The interests of armed forces personnel and society would be better recognized if a partially funded system, such as is used in other federal retirement plans, were adopted. At present, there is no guarantee that future legislation, such as might be enacted during a period of severe government economy, will not reduce promised benefits.

#### Superannuation retirement.

Superannuation retirement is necessary to eliminate those employees whose mental or physical performance has declined to such an extent as to adversely affect the productive efficiency of the employing organization.

Usually no distinction is made between physical and mental superannuation retirement in business and industry because aging employees, who in their earlier years were engaged mainly in physical work, can be transferred to supervisory and indoor positions. The situation is



approximated in the case of armed forces officer personnel, but the duties of the enlisted man require high physical stamina throughout his career. In the armed forces, then, a distinction between physical and mental superannuation is justified. In business and industry the retirement age is sixty-five years in over ninety-five per cent of the plans considered in this study. In the armed forces the age is sixty-two years for officers, with few exceptions. Because of the existence of a forced attrition system used in advancement from rank to rank, only officers in the senior rank reach the superannuation age. For enlisted personnel there is no mandatory age retirement. Because of the absence of such provision, voluntary retirement under the thirty year law is covered in the chapter on superannuation retirement. However, most enlisted men take advantage of retirement under a twenty year law (discussed in Chapter VII). Because of the requirements of military service in time of war, the superannuation age differentials between armed forces personnel and those in business and industry are considered justified.

The superannuation retirement benefit should be such that it provides minimum subsistence to the employee and his dependents. Preferably, it should recognize their standard of living.

Since the retirement benefit is deferred compensation, it is reasonable that it should bear some relation to compensation during employment. Use of a percentage rate multiplied by years of service appeals to the sense of fairness to the employee. Good practice in funding usually requires that benefits be related to average annual





compensation. Where employees advance up the salary scale at a uniform rate throughout their service, benefits based on final compensation are in reasonable accordance with funding principles. Also, benefits based on final compensation recognize the purchasing power of the dollar at the time of retirement. The retired employee would enjoy the greatest security if benefits were geared to the changing price index.

In business and industry the most common practice is to relate benefits, on a percentage basis, to average annual compensation. Because of the availability of Social Security benefits on annual compensation up to \$3,000, different benefit rates are usually used on compensation above and below this amount. In the armed forces, the benefit is equal to final basic pay times years of service times  $2\frac{1}{2}$  per cent, with a maximum of 75 per cent of basic pay.

On a dollar comparison basis, it would appear that the superannuated officer enjoys a great advantage over his civilian counterpart. However, when allowance is made for the lower service pay received by a Rear Admiral (Brigadier General), as compared with the pay of a civilian with comparable duties, the benefits favor the civilian.

The enlisted man who retires at senior rank, with thirty years service, enjoys a considerable dollar advantage over his civilian counterpart.

Pre-superannuation retirement and separation other than for disability.

Forced attrition.

Organizations in business and industry must adjust

organization. These agencies should be the subject of a study  
 into the various social services, health care, and other organizations  
 in the social community with funding potential. Also, health care  
 or other organizations receiving the funding from the state as  
 the state of California. The federal agencies would enjoy the greatest  
 authority in health care funding for the changing times today.

In addition to funding the state health system in 1970  
 social health, as a separate body, in order to be successful.  
 Because of the complexity of health services, health care must be  
 coordinated as a whole, rather than as a series of parts. The  
 organization must be able to handle the state health system, the  
 health care system in the state, and the health care system in the  
 state, with a minimum of 75 per cent of health care.

On a national level, it would appear that the  
 organization of health care is a great challenge for the nation's health  
 care. However, when all is said and done the health care system  
 is a very complex (social health), as compared with the rest of a  
 nation's health care, the health care system is a challenge.

The health care system is a challenge to the nation's health  
 care system, which is a challenge to the nation's health care system.  
 The health care system is a challenge to the nation's health care system.

THE CHALLENGE OF HEALTH CARE AND THE NATION'S HEALTH CARE

Health care.

Health care.

Problems in health care and the nation's health care.



the size of their employee forces as dictated by the volume of business. When business falls off, forced attrition of personnel must be effected so that the organization can maintain its economic stability. Similarly, the personnel of the armed forces is dictated by the international situation. When diplomatic solution of international problems is effective and resort to violence is unlikely, the nation reduces the size of its defense establishment.

Forced attrition resulting from the system of promotion is peculiar to the armed forces. In order to maintain vigorous and effective leadership within the officer ranks, it has been found necessary to employ a system of promotion that involves forced attrition at all ranks except the lowest. By 1957, the promotion system will be functioning in such a way that out of each thousand officers in the two junior ranks (combined length of service--six years), only two will attain to admiral/general rank (length of service in rank six to ten years).

Retirement systems in business and industry meet the forced attrition problem either through vesting or early retirement. Early retirement refers to pre-supersession retirement, under which an immediate benefit is paid at an actuarially reduced rate. For early retirement, most plans require either attainment of an age (usually fifty-five years), or attainment of an age (usually fifty-five) and a given length of service (ten to twenty years).

In the armed forces, officers not selected for advancement to the top three ranks (Rear Admiral, Captain and Commander



in the Navy) are retired at  $2\frac{1}{2}$  per cent of final basic pay times number of years of service. In the lower ranks, passed over officers are separated with severance pay.

Because of the differing conditions under which forced attrition takes place, it is considered impracticable to make a comparison between benefits in business and industry and the apparently liberal benefits in the armed forces.

There is no provision for forced attrition among enlisted personnel except through the rejection of applications for reenlistment.

Voluntary retirement--requested by employee and approved by employer.

In business and industry, retirement that is requested by employees comes under the heading of early retirement. Among plans which provide for early retirement, the majority require company approval which is presumably granted only when the termination of employment is in the best interests of the employing organization.

Officer and enlisted personnel in the armed forces may, upon request, and subject to approval by higher authority, be retired after twenty years service at the  $2\frac{1}{2}$  per cent rate. In the absence of a forced attrition system, such requests are invariably granted to enlisted personnel. For officer personnel, such requests are handled on a basis of the needs of the service.

As in the case of forced attrition for officer personnel, benefits under voluntary retirement are extremely liberal.





Although this type of retirement reduces the need for forced attrition in the promotion system, the liberal benefits do not appear to be as justifiable as they are in case of forced retirement. For enlisted personnel, the liberal benefits are more readily justified because of the absence of a forced attrition system.

Retirement and separation without the approval of employer, and resignations.

In business and industry, the employee who quits may expect to retain an equity in the retirement fund through vesting provisions. Only twenty to thirty per cent of retirement plans allow early retirement without approval of the employer.

The officer who resigns his commission and the enlisted man with less than twenty years service who does not reenlist, lose all equity in the retirement system. Likewise, all equity is lost by those who are dismissed from the service as a result of court-martial action.

Compromise in the armed forces.

It seems reasonable that some compromise should be made between the liberal benefits received by those who are voluntarily retired and the total absence of benefits to those mentioned in the preceding paragraph. It is recommended that in both cases the individual receive either an immediate benefit, at a reduced rate, or a deferred benefit at the full rate. The principles of vesting should be recognized in all separations.

Disability and survivor benefits.

the same time, the system is designed to be flexible enough to accommodate changes in the system's requirements. This is achieved by using a modular architecture, where the system is composed of several independent modules that can be added, removed, or modified without affecting the rest of the system. This allows the system to evolve over time as new requirements are identified and implemented.

CONFIDENTIAL

On October 10, 1964, the following information was received from the Bureau of the Federal Bureau of Investigation, Washington, D. C.:

It is noted that the above information was obtained from a confidential source who has provided reliable information in the past.

On 11 September 1954, the following information was received from the Bureau of the Census, Washington, D. C.:



In business and industry, separation because of partial disability is normally unnecessary because of the ability of employing organizations to provide positions which meet the disability limitations of the employee concerned. In the armed forces, on the other hand, the necessity for a high standard of physical performance is such that continued employment of the partially disabled would often be detrimental to military effectiveness.

Survivor benefits are usually provided for in business and industry either through the retirement plan or through contributory group life insurance. In the armed forces, the equivalent of six months pay is given to survivors of persons who die while on active duty. Survivors of veterans of World War II are eligible for a pension if death occurs while on active duty or as a result of wartime service. The armed forces retirement system could be improved if retiring personnel were allowed the option of electing a reduced benefit which would continue throughout his or her life and that of his wife or husband.

#### Concluding remarks.

In this study, the writer has tried to demonstrate that retirement systems serve important purposes both in the armed forces and in business and industry. Where practicable, direct comparisons have been made between the retirement systems in these organizations. However, special conditions in the defense establishment, such as forced attrition and high physical requirements, prevent a valid comparison of many factors. The writer believes that the armed forces retirement system would be improved by a change to a contributory, partially funded



system; by the extension of the principles of vesting to cover all personnel with more than five years service; and by the inclusion of optional methods of receiving retirement income. These modifications are considered to be both fair and practicable, and in the best interests of military personnel, the government, and society.





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3 An Analysis of Past, Present and Proposed Pay Scales of the Uniformed Services prepared by Joint Army-Navy Personnel Board Pay Committee, 1947, Section III, paragraph 64 and 78.

4 Career Compensation for the Armed Forces, (Washington, D.C.: U.S. Government Printing Office, 1948), p. 39.

5 From text of the board's report, The New York Herald Tribune, September 11, 1949.

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7 "Retirement Plans in Collective Bargaining", American Federation of Labor Research Report, October 1949.

8 Ralph C. Davis, Industrial Organization and Management, (New York: Harper Bros., 1940), p. 539.

9 Herbert L. Janison, "Practical Aspects of Establishing and Administering Pension Plans", American Management Association, Personnel Series no. 126, 1949, p. 6.

10 Ibid., p. 6.

11 Fifty Employee Benefit Plans in the Basic Steel Industry, (Washington, D.C.: Social Security Administration, 1948), p. 37.

12 Outline of Federal Retirement Systems, (Washington, D.C.: Social Security Administration, 1948), pp. 75, 145.

13 Ibid.

10 From a memorandum from the Secretary of Defense, on 11/11/49.

11 From the report of the Joint Chiefs of Staff, dated 11/11/49.

Section II

12 From the report of the Joint Chiefs of Staff, dated 11/11/49.

13 From the report of the Joint Chiefs of Staff, dated 11/11/49.

14 From the report of the Joint Chiefs of Staff, dated 11/11/49.

15 From the report of the Joint Chiefs of Staff, dated 11/11/49.

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17 From the report of the Joint Chiefs of Staff, dated 11/11/49.

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19 From the report of the Joint Chiefs of Staff, dated 11/11/49.

20 From the report of the Joint Chiefs of Staff, dated 11/11/49.

21 From the report of the Joint Chiefs of Staff, dated 11/11/49.

22 From the report of the Joint Chiefs of Staff, dated 11/11/49.

23 From the report of the Joint Chiefs of Staff, dated 11/11/49.

24 From the report of the Joint Chiefs of Staff, dated 11/11/49.



14 289 Retirement Plans, (1948 Edition; New York: Bankers Trust Company, 1948), p. 9.

15 Jamison, op. cit., p. 6.

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1 Meyer M. Goldstein, "Overhauling Pension and Profit Sharing Plans", American Management Association, Personnel Series, No. 54, 1946, p. 31.

2 "Retirement Plans in Collective Bargaining", Part IV, American Federation of Labor Research Report, October, 1949.

3 Negotiated Pension Plans, (Washington, D.C.: The Bureau of National Affairs, Inc., 1949), pp. 3, 107, 108.

4 Report of Joint Army-Navy Personnel Board Pay Committee, 1947, p. 85.

#### CHAPTER V

1 Report of the President's steel fact-finding board quoted in The New York Herald Tribune, September 11, 1949.

2 Lewis Meriam, Principles Governing the Retirement of Public Employees, (New York: D. Appleton and Company, 1918), p. 328.

3 Negotiated Pension Plans, (Washington, D.C.: The Bureau of National Affairs, Inc., 1949), p. 13.

4 Career Compensation for the Armed Forces, (Washington, D.C.: Government Printing Office, 1948), p. 40 and Appendix M, pp. 189, 190, 194.

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1 Lewis Meriam, Principles Governing the Retirement of Public Employees, (New York: D. Appleton and Company, 1918), Chapter V.

2 Long Range Cost Estimates for Expanded Coverage and Liberalized Benefits Proposed to the Old Age and Survivors Insurance System by H.R. 2893, (Washington, D.C.: Social Security Administration, 1949), p. 5.

11 Report of the Committee on the Status of the  
Country, 1930, p. 4.

12 Report of the  
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## CHAPTER IV

1 Report of the Committee on the Status of the  
Country, 1930, p. 4.

2 Report of the Committee on the Status of the  
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## CHAPTER V

1 Report of the Committee on the Status of the  
Country, 1930, p. 4.

2 Report of the Committee on the Status of the  
Country, 1930, p. 4.

3 Sumner H. Slichter, "The Pressing Problems of Old Age Security", The New York Times Magazine Section, October 16, 1949; and Editorial in The New York Herald Tribune, January 4, 1950.

4 289 Retirement Plans, (New York: Bankers Trust Company, 1948), p. 7; Analysis of Recent Group Annuities, (Washington, D.C.: Social Security Administration, 1948), p. 12; and Hugh O'Neill, Modern Pension Plans, (New York: Prentice-Hall, Inc., 1947), p. 269.

5 Hugh O'Neill, op. cit., p. 268.

6 Negotiated Pension Plans, (Washington, D.C.: The Bureau of National Affairs, Inc., 1949), p. 6.

7 Herbert L. Jamison, "Practical Aspects of Establishing and Administering Pension Plans", American Management Association, Personnel Series, No. 126, 1949, p. 12.

8 "Retirement Plans in Collective Bargaining", Part III, American Federation of Labor Research Report, September, 1949.

9 For a discussion of inter-department transfer involving military personnel, see Lewis Meriam, op. cit., pp. 116-118.

10 289 Retirement Plans, op. cit., p. 11.

11 Hugh O'Neill, op. cit., derived from data in Tables H and J.

## CHAPTER VII

1 A retired officer is subject to recall to active duty in event of a national emergency.

2 With few exceptions, a retired officer is prohibited from holding a civilian position or office with the Federal government where either his retired pay or the compensation in the latter position amounts to more than \$2,500 per year.

3 This refers to Title I of the law under which the Navy must stabilize prior to 1957. The stabilization is being accomplished gradually and attrition at present is considerably less than provided for in the permanent provisions of the law.

4 The required distribution in the Army and Air Force is 0.75, 8, 14, 19, 23 and 36.

5 If appropriations are available, The Secretaries of the Army



1. (2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 2680, 2681, 2682, 2683, 2684, 2685, 2686, 2687, 2688, 2689, 2690, 2691, 2692,

U.S. DEPT. OF AGRICULTURE

6. The Bureau of Investigation, U.S. Department of Justice, is requested to conduct a thorough investigation of the activities of the above named individuals and to report the results thereof to the Senate Committee on Governmental Operations.

1. The first of these is the fact that the majority of the population of the United States is now living in urban areas. This is a result of the process of urbanization, which has been going on since the beginning of the 20th century. The second is the fact that the majority of the population of the United States is now living in the South and West. This is a result of the process of migration, which has been going on since the beginning of the 20th century. The third is the fact that the majority of the population of the United States is now living in the middle class. This is a result of the process of social mobility, which has been going on since the beginning of the 20th century.

1. "The National Union of College Students," 1919.

Personnel are listed below, by city, as follows:

For a discussion of investigation methods involving military

TO THE SECRETARY OF THE ARMY, WASHINGTON, D. C.

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED

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to move him \$2,500 per year.

1. This report is being submitted to you under the provisions of the Freedom of Information Act, 5 U.S.C. 552, which provides that certain information is to be made available to the public. The information is being furnished to you in accordance with the provisions of the Act, and is being furnished to you in accordance with the provisions of the Act.

1. The required classification is the same and Air Force is O-75, S.

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and the Air Force may advance officers into ranks up to Lieutenant Colonel without respect to vacancies.

6 The Hoover Commission Report on Organization of the Executive Branch of the Government, (New York: McGraw Hill Book Co., 1949), p. 507.

7 Robert B. Bretland, "Some Aspects of the Problems of Readjustment Education and Job Placement of Retiring Naval Officers", (unpublished Master's Thesis, The Ohio State University, Columbus, 1949).

8 Naval enlisted personnel are transferred to the Fleet Reserve with "retainer pay" until a total of thirty years service (active duty plus Fleet Reserve duty) is rendered, at which time they are retired.

#### CHAPTER VIII

1 Hugh O'Neill, Modern Pension Plans, (New York: Prentice-Hall, Inc., 1947), pp. 322-324.

2 Fifty Employee-Benefit Plans in the Basic Steel Industry, (Washington, D.C.: Social Security Administration, 1947), p. 12.

3 Those with eight or more years of service, receive retired pay whether the disability occurs off the job or on the job. However, no serviceman is eligible for retired or severance pay in the case of a disability resulting from intentional misconduct or willful neglect.

4 Outline of Federal Retirement Systems, (Washington, D.C.: Social Security Administration, 1948), pp. 75, 145.

and the Air Force and Defense of the United States.

1. The Board of Directors of the Corporation shall have the right to elect and remove the members of the Board of Directors.

[illegible]

There is a small, dark, rectangular object, possibly a piece of wood or metal, lying on the ground. It is oriented horizontally and appears to be a component of a larger structure, possibly a door or a window frame. The object is dark in color, possibly black or dark brown, and has a rough, textured surface. It is positioned in the lower right corner of the image, near the edge of the frame. The background is a light, sandy or gravelly surface, and the overall scene is dimly lit, suggesting an outdoor or semi-outdoor environment.

1. What is the purpose of the study?

SECRET

2. There was also a report of a person, possibly related to the person who was the subject of the report, who was seen at the same time and place as the person who was the subject of the report.

[illegible]

• 2006 年 12 月 • 207 •



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For a more complete description of the system, see the following references:

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1. The following information was obtained from the records of the Federal Bureau of Investigation, Department of Justice, dated 10/10/50:

[illegible]

(A) The number of people who are not members of the club is less than the number of people who are members of the club.

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DATE 08-11-2010 BY 60322 UCBAW/STP

Source: *Journal of the American Statistical Association*, 1997, Vol. 92, No. 439, pp. 1033-1042. Reprinted by permission of the American Statistical Association.

Without prejudice to the fact that the above information was obtained from the files of the FBI, the Bureau is not in a position to disclose the same to the public.

Department of the Interior, Bureau of Land Management  
 1000 North 34th Street, Anchorage, Alaska 99503  
 (907) 261-2000



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## APPENDIX A

CAREER PAY COMPUTATION FOR OFFICER ADVANCEMENT UNDER FUTUREST  
PROVISIONS OF PUBLIC LAW 361, 80TH CONGRESS  
AND ASSUMED ADVANCEMENT FOR ENLISTED PERSONNEL  
(ON MONTHLY BASIS)

Officer (40 years)					Enlisted (30 years)			
Year	Pay Grade	Navy Rank	Pay	Allowance <sup>a</sup>	Pay Grade	Navy Rate	Pay	Allowance <sup>b</sup>
1	O-1	Ensign	\$214	\$ 42	E-1	S.R.	\$ 75	\$ 32
2	"	"	214	42	E-2	S.A.	83	32
3	"	"	228	42	"	"	90	32
4	O-2	LTJG	264	124	E-3	S.W.	103	32
5	"	"	278	125	"	"	110	32
6	"	"	278	125	"	"	110	32
7	O-3	LT	342	132	E-4	PO3	140	32
8	"	"	342	132	"	"	140	100
9	"	"	356	132	"	"	147	"
10	"	"	356	132	E-5	PO2	169	"
11	"	"	370	132	"	"	176	"
12	"	"	370	132	"	"	176	"
13	O-4	LCDR	427	147	E-6	PO1	206	"
14	"	"	428	147	"	"	206	"
15	"	"	442	147	"	"	213	"
16	"	"	442	147	"	"	213	"
17	"	"	456	147	E-7	CPO	250	"
18	"	"	456	147	"	"	250	"
19	O-5	ODR	527	162	"	"	265	"
20	"	"	527	162	"	"	265	"
21	"	"	527	162	"	"	265	"
22	"	"	527	162	"	"	265	"
23	"	"	556	162	"	"	279	"
24	"	"	556	162	"	"	279	"
25	"	"	556	162	"	"	279	"
26	O-6	CAPT	641	162	"	"	279	"
27	"	"	670	162	"	"	294	"
28	"	"	670	162	"	"	294	"
29	"	"	670	162	"	"	294	"
30	"	"	670	162	"	"	294	"
31	O-7	RAADM(lower	826	192				
32	"	" half)	826	192				
33	"	"	826	192				
34	"	"	826	192				
35	"	"	826	192				
36	O-8	ADM(upper	955	192				
37	"	" half)	955	192				
38	"	"	955	192				
39	"	"	955	192				
40	"	"	955	192				
TOTAL			\$22,266	\$6,038			\$6,209	\$2,524
Aver. per mo.			557	161			207	84
Aver. (pay and allowances per mo.)			\$708				\$291	

## COMPUTATIONS FOR PASSED OVER OFFICERS

LT. CDR.	PAY	ALLOWANCES	TOTAL
18 years (subtotal)	\$6,274	\$2,174	
2 years additional	968	294	
20 years (Total)	\$7,242	\$2,468	
Average	362	123	\$485
COMMANDER			
25 years (subtotal)	10,040	3,308	
1 year additional	584	162	
26 years (Total)	\$10,624	\$3,470	542
Average	409	133	
CAPTAIN			
30 years (subtotal)	13,377	4,142	
1 year additional	698	138	
31 years (Total)	\$14,075	\$4,280	
Average	454	138	\$592

Note: a. Includes quarters and subsistence; Ensign with no dependents, dependents for higher ranks; hazard-incentive (as flight and submarine) pay, value of medical care, laundry service, recreational facilities and haircuts not considered.

b. Includes quarters allowance only and assumes dependents only after seven years service. Hazard-incentive (as flight and submarine) pay, sea and foreign pay, reenlistment allowances, lodging on station in first seven years, medical care, laundry service, recreational facilities and haircuts not considered.





## APPENDIX B

COMPARISON OF PAY IN ARMED FORCES AND IN BUSINESS  
AND INDUSTRY FOR COMPARABLE WORK<sup>a</sup>

Pay Grade	Rank	High	Low	Weighted Average	Percentage Relation Navy/Civil
0-8	<u>Major General/Rear Admiral (upper)</u>				
	Civilian	\$3393	\$2083	\$2767	35%
	Armed forces basic pay <sup>b</sup>	955	955	955	
	" " " "				
	and allowances <sup>c</sup>	1147	1147	1147	41
0-7	<u>Brigadier General/Rear Admiral (lower)</u>				
	Civilian	2292	1250	1902	
	Armed forces basic pay <sup>b</sup>	826	826	826	43
	" " " "				
	and allowances <sup>c</sup>	1018	1018	1018	54
0-6	<u>Colonel/Capt in</u>				
	Civilian	1923	498	987	
	Armed forces basic pay <sup>b</sup>	670	641	667	67
	" " " "				
	and allowances <sup>c</sup>	832	803	829	84
0-5	<u>Lt. Colonel/Commander</u>				
	Civilian	1667	368	619	
	Armed forces basic pay <sup>b</sup>	556	527	539	87
	" " " "				
	and allowances <sup>c</sup>	718	689	701	113
0-4	<u>Major/Lt. Commander.</u>				
	Civilian	938	416	571	
	Armed forces basic pay <sup>b</sup>	456	427	442	77
	" " " "				
	and allowances <sup>c</sup>	574	569	586	103
0-3	<u>Captain/Lieutenant</u>				
	Civilian	675	350	515	
	Armed forces basic pay <sup>b</sup>	370	342	356	69
	" " " "				
	and allowances <sup>c</sup>	502	474	488	95
0-2	<u>Lieutenant/Lieutenant (junior grade)</u>				
	Civilian	675	250	387	
	Armed forces basic pay <sup>b</sup>	278	264	273	71
	" " " "				
	and allowances <sup>c</sup>	402	388	397	103
E-7	<u>Chief Petty Officer (30 years)</u>				
	Civilian	610	225	396	
	Armed forces basic pay <sup>b</sup>	294	250	275	69
	" " " "				
	and quarters allowance <sup>d</sup>	394	354	375	95

Note: a. Data on civilian pay from Career Compensation for the Armed Forces, (Washington, D.C.: Government Printing Office), Appendix D, pp. 22-23.

b. Factors not considered in Navy pay--medical care, laundry service, recreational facilities and haircuts, subsistence and quarters allowance.

c. Subsistence and quarters allowances are indicated.

d. Quarters allowance only included.

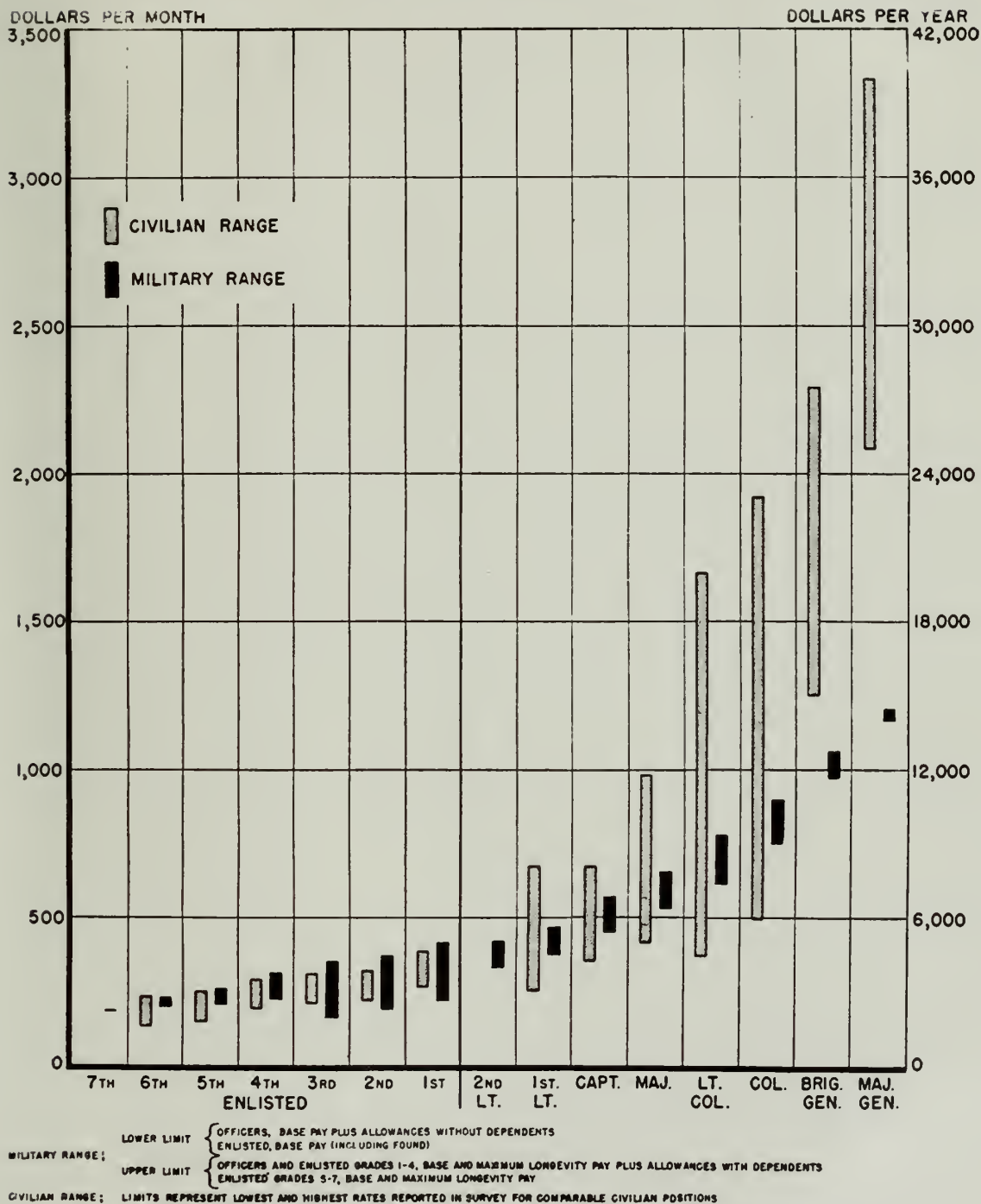
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Year	1950	1951	1952	1953	1954	1955
1	100	100	100	100	100	100
2	100	100	100	100	100	100
3	100	100	100	100	100	100
4	100	100	100	100	100	100
5	100	100	100	100	100	100
6	100	100	100	100	100	100
7	100	100	100	100	100	100
8	100	100	100	100	100	100
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14	100	100	100	100	100	100
15	100	100	100	100	100	100
16	100	100	100	100	100	100
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19	100	100	100	100	100	100
20	100	100	100	100	100	100
21	100	100	100	100	100	100
22	100	100	100	100	100	100
23	100	100	100	100	100	100
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25	100	100	100	100	100	100
26	100	100	100	100	100	100
27	100	100	100	100	100	100
28	100	100	100	100	100	100
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31	100	100	100	100	100	100
32	100	100	100	100	100	100
33	100	100	100	100	100	100
34	100	100	100	100	100	100
35	100	100	100	100	100	100
36	100	100	100	100	100	100
37	100	100	100	100	100	100
38	100	100	100	100	100	100
39	100	100	100	100	100	100
40	100	100	100	100	100	100
41	100	100	100	100	100	100
42	100	100	100	100	100	100
43	100	100	100	100	100	100
44	100	100	100	100	100	100
45	100	100	100	100	100	100
46	100	100	100	100	100	100
47	100	100	100	100	100	100
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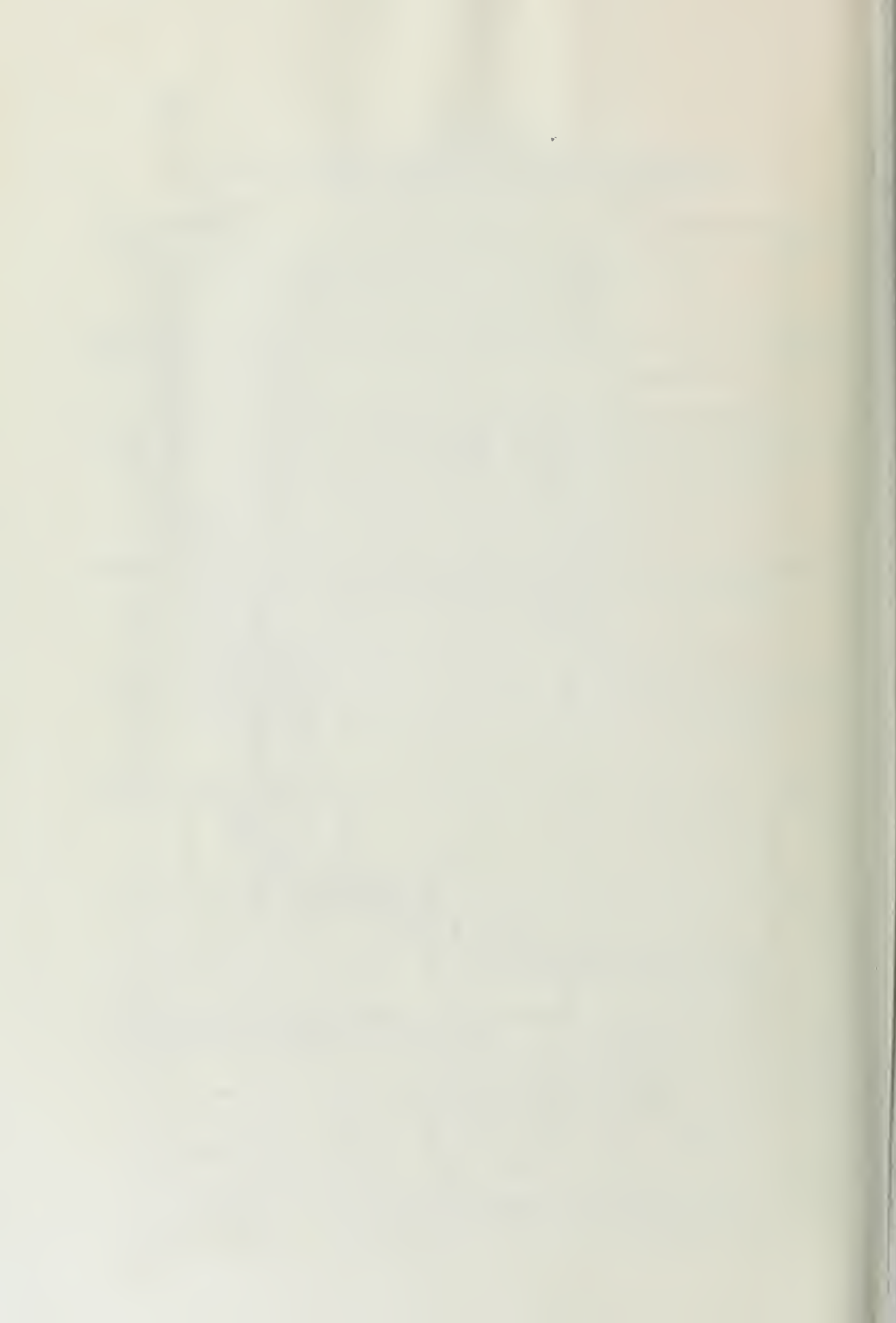


## APPENDIX C

COMPARISON OF CIVILIAN COMPENSATION AND MILITARY COMPENSATION  
PROPOSED BY THE HOOK COMMISSION, 1948<sup>a</sup>

a. Source: Career Compensation for the Armed Forces (Washington, D.C.: Government Printing Office, 1948), p. 21.

NOTE: Pay schedules adopted in 1949 for officer personnel were actually lower than those proposed.



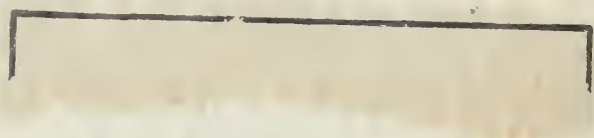
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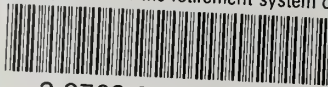
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